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TransAlta

OFFERING COMPETITIVE ENERGY

BUILDING ON STRENGTHS

DEVELOPING NEW BUSINESS ALLIANCES

TRANSALTA CORPORATION

1993 annual report

Corporate Profile

TransAlta Corporation has two principal subsidiaries: TransAlta Utilities Corporation and TransAlta Energy Corporation. TransAlta Utilities conducts regulated electric utility operations in Alberta. TransAlta Energy develops independent power projects.

The year 1993 was the first full year of operations under a corporate reorganization approved by shareholders on November 26, 1992. The reorganization provides a clearer separation between the regulated electric utility operations in Alberta of TransAlta Utilities and the operations of TransAlta Energy.

TransAlta is committed to offering competitive energy, building on strengths and developing new business alliances. These commitments will ensure TransAlta remains a premier supplier of electric and thermal energy and continues to build a sustainable future for shareholders, customers, employees and the communities it serves.

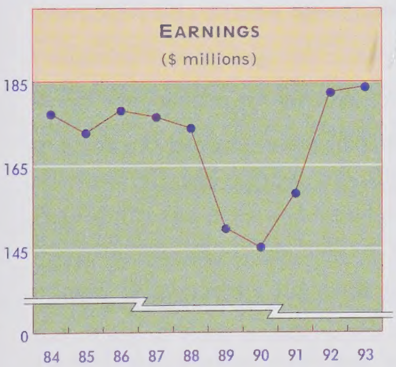
Shareholders' Meeting

Shareholders are invited to attend the Annual Meeting at 10:00 a.m. on Friday, May 13, 1994, at the Westin Hotel, 4th Avenue and 3rd Street S.W., Calgary, Alberta.

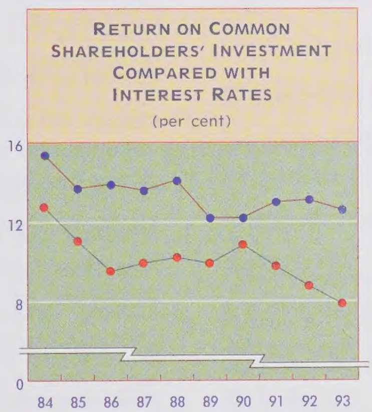
Please call 1-800-387-3598 toll free in Canada or (403) 267-7301 in Calgary or outside Canada for shareholder information.

highlights

(In millions except return on common shareholders' investment and common share data)	1993	1992	Increase (Decrease) 1992-93
Electric energy sales – regulated (kilowatt hours)	25,819	25,247	572
Electric energy sales – non-regulated (kilowatt hours)	1,256	100	1,156
Electric revenue – regulated (net)	$1,133.1	$1,095.7	$ 37.4
Energy revenue – non-regulated	75.2	5.9	69.3
Earnings before financing charges	387.8	388.9	(1.1)
Earnings applicable to common shares	183.8	182.5	1.3
Capitalization	3,682.6	3,491.2	191.4
Common shareholders' equity	1,477.6	1,446.0	31.6
Investment in facilities	296.3	415.3	(119.0)
Return on common shareholders' investment (per cent)	12.6	13.1	(0.5)
Average common shares outstanding	158.7	155.0	3.7
Per common share data			
Earnings	$ 1.16	$ 1.18	$ (0.02)
Dividends	0.98	0.98	–
Book value (year end)	9.31	9.12	0.19
Market value (year end)	15.25	13.75	1.50

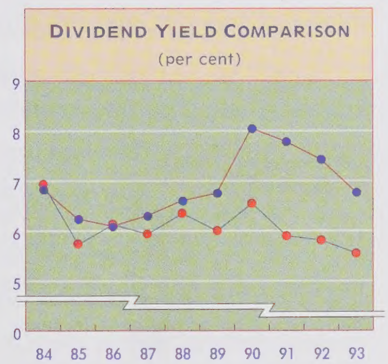


Earnings grew in 1993 as increased non-regulated earnings more than offset reduced utility earnings.



• Return on common equity
• Yield on long-term Government of Canada Bonds

During 1993 TransAlta continued to provide an attractive return to its shareholders.



• TransAlta Corporation
• TSE Utility Index

TransAlta provides a competitive dividend yield compared with other utilities.

letter to shareho

Letter to Shareholders

Ken McCready (left), President and Chief Executive Officer, and Harry Schaefer, Chairman of the Board.

The year 1993 marked continued growth in our core business in Alberta and the development of competitive independent power projects outside Alberta.

The year's highlights included:

- completion of the first full year of operations at our two Ontario cogeneration plants,
- partnering with two other well established electric utilities to purchase an interest in a hydroelectric facility in Argentina,
- ongoing work with governments and other stakeholders to reduce the unfair impact of the Electric Energy Marketing Act on our customers,
- an increase in energy sales in Alberta of 2.3 per cent, and
- the establishment of an allowed rate of return of 11.875 per cent for regulated utility operations.

Earnings and Dividends Earnings per share decreased two cents in 1993. The decrease reflected a six cent decline in utility earnings due to a decrease in the allowed rate of return. This was partially offset by a four cent increase in earnings from TransAlta Energy's initiatives in the independent power business.

Dividends on common shares were maintained at the 1992 level of $0.98 per share. It remains a priority for us to ensure that the dividend is sustainable. With this in mind, we continue to pursue new investments that are consistent with improving earnings and ensuring the integrity of the dividend.

Operations in Alberta Our core business of providing electric utility service, directly and indirectly to about 1.7 million Albertans, grew modestly during the year. The economic outlook for Alberta is positive, led by the prospect of stronger natural gas prices. In addition, the efforts of the Alberta government to establish sound fiscal policies and create a positive business environment should ensure the province is well-positioned for the future.

Our industry is changing significantly as competitive forces enter the traditional electric utility business, especially in generation. Recognizing the opportunity created by this evolution, we are pursuing the development of independent power projects elsewhere in Canada and beyond our national borders.

As our customers live in a land-locked province, low electricity costs continue to be important to them to help offset higher transportation costs to reach their markets. The corporation's continuing ability to provide low-cost power will enable it to be a very competitive energy supplier in the future. We are also working to provide greater flexibility for our customers with new services, including access to TransAlta's transmission system.

Ironically, as we move towards a more competitive environment, governments continue to create unlevel playing fields. An example is the utility income tax rebate, designed to equalize taxation between investor-owned utilities and government-owned utilities. The federal government froze, and now has reduced the rebate, affecting the customers of

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investor-owned utilities such as TransAlta. We continue to work to change this tax discrimination.

Non-Regulated Operations

Last year we reported that our non-regulated operations would contribute to future earnings. With our cogeneration plants in Mississauga and Ottawa completing their first full year of operations, non-regulated operations contributed 10 cents to earnings per share in 1993.

In common with all investor-owned corporations, we are faced with the key question: How do we successfully develop new business opportunities that will enhance shareholder value? We are answering this question in two ways.

First, we are sticking to something we know well, the basic business of power generation, transmission and distribution. This means looking for opportunities to apply the corporation's 83 years of financing, engineering and operating experience through additional independent power projects such as those we are proposing in Ontario, Québec, and New Zealand.

Second, and equally important, we are moving to diversify geographically. We believe the key to success in the competitive independent power business, particularly in the international marketplace, is to form strategic partnerships with experienced investors and local partners. In 1993 we partnered with Duke Energy Corp. of the United States and Chilgener S.A. of Chile to purchase an interest in a hydroelectric facility in Argentina. Additional information about this partnership and other opportunities is found on pages 12 and 13.

Reducing Our Impact on the Environment

Protection of the environment continues to be a vital element of our business. We have a comprehensive environmental policy statement that guides the way we do business. In meeting our goals, we are voluntarily seeking ways to reduce our environmental impact — including encouraging customers to use energy more efficiently and improving the energy efficiency of our own operations.

We are actively encouraging market-based approaches to achieve the most cost-effective solutions to environmental issues. In our business decisions we are applying sustainable development concepts to make progress on both economic development goals and environmental protection goals at the same time. Simply stated, we recognize that reducing waste saves the environment and saves money.

Challenges for the Future

The electric power industry, like many other industries, is changing rapidly. TransAlta is well-positioned to contribute to, and benefit from, this evolving market. To be successful in the future, we must continue to provide low-cost energy and quality service to customers.

Our long-term goal is to increase value for shareholders by meeting the needs of our customers. Our commitment to increasing customer satisfaction, pursuing independent power projects, promoting energy efficiency and advocating environmental responsibility will continue to guide our actions as we work towards building a sustainable future.

On behalf of the Board of Directors, we are pleased to submit this report.

H.G. Schaefer
Chairman of the Board

K.F. McCready
President and
Chief Executive Officer

February 11, 1994

Retirements and Appointments

- Robert G. Black, Q.C., retired from the Board of Directors after 21 years of service and as General Counsel after 46 years of service.
- Walter J. McCarthy retired from the Board of Directors after 18 years of service.
- Harry G. Schaefer retired as Chief Financial Officer, but continues as non-executive Chairman of the Board.
- Walter Nieboer, Senior Vice-President, Non-Regulated Operations, and Don G. Bacon, Vice-President, Export, both retired.

  We thank these individuals for their dedication and significant contributions to the corporation.
- Jack C. Donald and John S. Lane fill the vacancies created by the retirements from the Board of Directors.
- In 1993, Michael A. Pavey was appointed Senior Vice-President and Chief Financial Officer, and Ian A. Mallory joined the corporation as Vice-President and Corporate Counsel. Marvin J. Waiand was appointed Director of Finance and Treasurer, TransAlta Energy.

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Discussion With Management

We need to continue to anticipate change, to be competitive and build on our strengths.

What are the important challenges facing our business?

McCready There are several areas that are significant. Our business is becoming more competitive, there is a growing need to deal with environmental concerns and we need to manage the impact of a lower rate of growth in our core business.

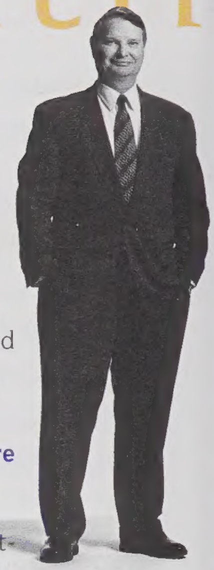
How is competition impacting the regulated side of the business in Alberta?

Pavey It's something we've always faced with the abundance of competitive energy options in Alberta. The competition the rest of Canada's electric utility industry is just beginning to experience is something we've faced throughout our history.

Saponja Alberta remains a very competitive energy market — for us in particular. More than two-thirds of our load is from large customers with the capability to self-generate if we're not competitive. We've developed key value-creating skills in efficient electricity generation and supply to help us be more competitive.

What is TransAlta doing to help with economic recovery in Alberta?

Saponja We are keeping our costs low to help Albertans be more competitive in external markets. Our customers are competing in global markets and we're trying to maintain a low cost structure. Bringing more competition, incentives and flexibility to the traditional utility business will produce new efficiencies. Our pursuit of open access for our transmission system is an example. Our strategy includes finding new ways to serve our existing customers through offers that go beyond our traditional utility services.



What factors are putting pressure on the corporation's costs?

Pavey The cost of legislated small power purchases and the impact of payments under the Electric Energy Marketing Act are two key factors. And as governments pursue measures to deal with deficit budgets, there is concern that these measures could result in higher costs for customers. An example is the threat of further erosion of the federal income tax rebate to customers of investor-owned utilities.

How are the forces of competition affecting operations?

Leslie We are continuing to build on our record of productivity and performance, which was globally recognized in last year's Australian government study on electric utilities. We are supporting the development of our people with technology and training. And as we review and adapt our business processes, we are creating the capacity to add and deliver value to our customers.

How is TransAlta addressing environmental concerns?

Leslie We are taking voluntary steps to identify the most cost-effective environmental

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solutions. For example, we are working towards reducing emissions by improving internal operational efficiencies. Externally we are working with our customers to help them find ways to use energy more efficiently and reduce consumption. We are also investigating greenhouse gas offset projects in Canada and elsewhere.

Can you comment on our move into the independent power market?

McCREADY It has been a natural extension for us to move into the independent power market with our technical and operational competence in electricity generation. We have complemented these strengths with the adoption of financing practices such as the issue of non-recourse debt to create sound, new growth opportunities for the corporation. Our two Ontario cogeneration plants are now in their second year of operation and made a positive contribution to earnings in 1993. We've also been successful as part of an international consortium in acquiring an equity interest in a 30-year operating concession at a hydroelectric facility in Argentina. We continue to pursue other independent power opportunities that will have a positive impact on earnings.

How do you deal with the risks of international projects?

PAVEY First, by being very disciplined and selective in only pursuing opportunities that are in line with our core business and then putting in place sound business arrangements to mitigate both sovereign and project risks. We look for countries with acceptable sovereign risk profiles and economic growth that is driving a demand for electricity. A critical component in mitigating risk is the ability to form strategic alliances with strong local partners who are active in the electric power market.

As you look forward, what are the critical factors that will mean success for TransAlta?

McCREADY We need to continue to anticipate change, to be competitive and build on our strengths. We must be flexible to adapt to new regulatory regimes and we must continue to foster an environment where our people can learn new skills. Our experience and our people are key to our success. We must focus our skills to create new opportunities for growth in our basic business as a competitive supplier of energy and as an important contributor to sustainable development — in Canada and globally.

(Left to right)
Ken McCready,
President and
Chief Executive Officer
Michael Pavey,
Senior Vice-President
and Chief Financial
Officer
Jim Leslie,
Senior Vice-President,
Corporate Services
Walter Saponja,
Senior Vice-President,
Operations

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Offering Competitive Energy

In 1993 efforts to control costs and increase productivity helped TransAlta remain a low-cost supplier of electricity.

Energy Sales Increase

The core business remained strong in 1993, as TransAlta continued to be the prime supplier of electric energy in Alberta. TransAlta Utilities' energy sales increased by 2.3 per cent from 1992, to 25,819 million kilowatt hours. Competitive pricing and ongoing consultation with customers to shape supply to their requirements have helped TransAlta Utilities to achieve a very high system load factor of 79 per cent. Load factor, an important indicator of system productivity, is the ratio of the average load (electric energy consumed) during a designated period to the peak load in that period.

(Left to right) Colin McKee, New Business Consultant, Bryan Holter and Diana Drysdale, Engineers in Research and Technologies, worked together in developing TransAlta's photovoltaic services program.

Reducing Operating Costs

TransAlta continues to look for ways of improving performance while providing high quality service to customers.

The High River Service Centre opened during the year to supply materials to the southern half of TransAlta Utilities' service area. This centralized facility features an automated storage and retrieval system that increases productivity and improves customer service.

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Maintaining low fuel costs continues to be an important priority. TransAlta Utilities and Alberta Power — partners in the Sheerness Plant — completed a long-term coal supply agreement with Luscar Ltd. for approximately half of the plant's annual fuel requirements. Deliveries will begin in 1996 and will reduce future fuel costs from previously forecast levels.

Efforts to maintain low costs resulted in two applications to the Energy Resources Conservation Board during the year. One application was made to open Pit 6 at TransAlta Utilities' Highvale Mine in 1995; shallow coal seams and the pit's proximity to the Sundance Generating Plant will help maintain low fuel costs. The other application was made to enlarge the Sundance cooling pond, which would improve the output and overall efficiency of the Sundance Plant. Pending regulatory approval, construction is due to start in 1994.

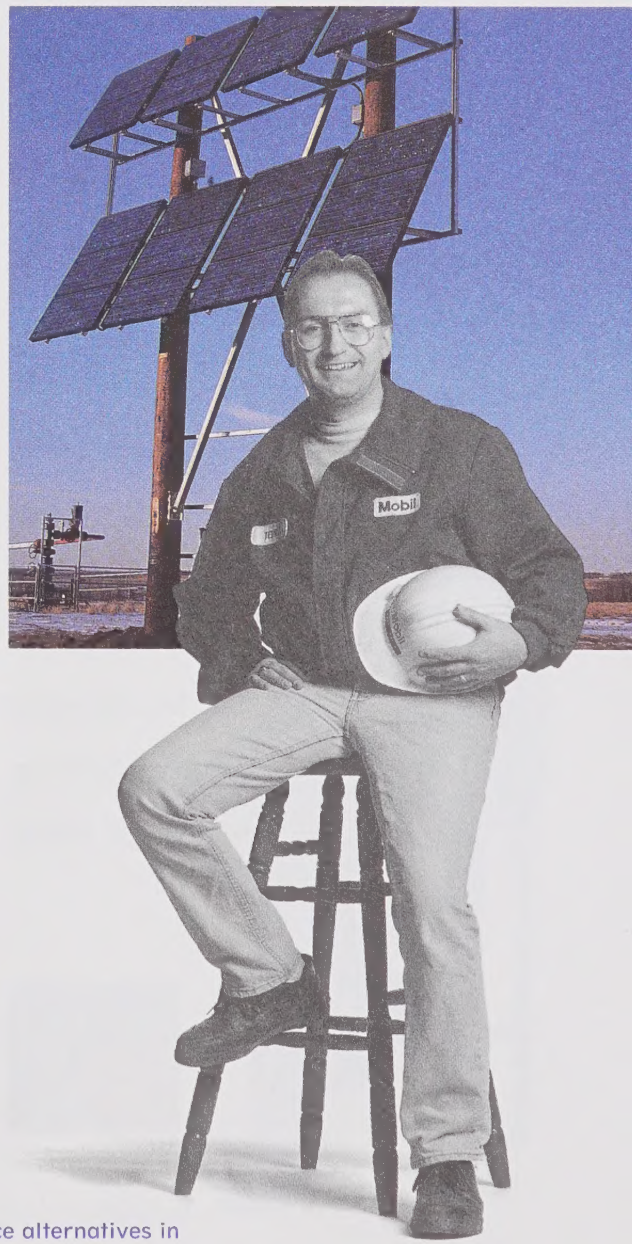
New Structure Created

A new organizational structure was created by redesigning TransAlta Utilities' 64 districts into 23 area business units. The new structure enables TransAlta to provide more flexible, efficient and competitive services. Employees participated in the redesign, which is an extension of ongoing quality service initiatives.

Satisfying Customers with Unique Needs

TransAlta Utilities continued to pursue the approval of rates for the use of its transmission system by others. As a first step, it has applied for new rates for standby services and transportation services. Standby services are designed for customers who generate their own power and require utility electricity as back-up only. Transportation services for electric energy exports are required in anticipation of requests by other generators for the use of the corporation's transmission system for out-of-province transactions.

Mobil's Terry Becker worked with TransAlta to connect a corrosion protection system to solar power at two natural gas wells near Sundre, Alberta.



Oil and gas industry taps solar power

TransAlta is installing solar cells (shown above) to convert sunlight into electricity, providing customers such as Mobil Oil Canada with economical electric service alternatives in locations not currently connected to the power grid system.

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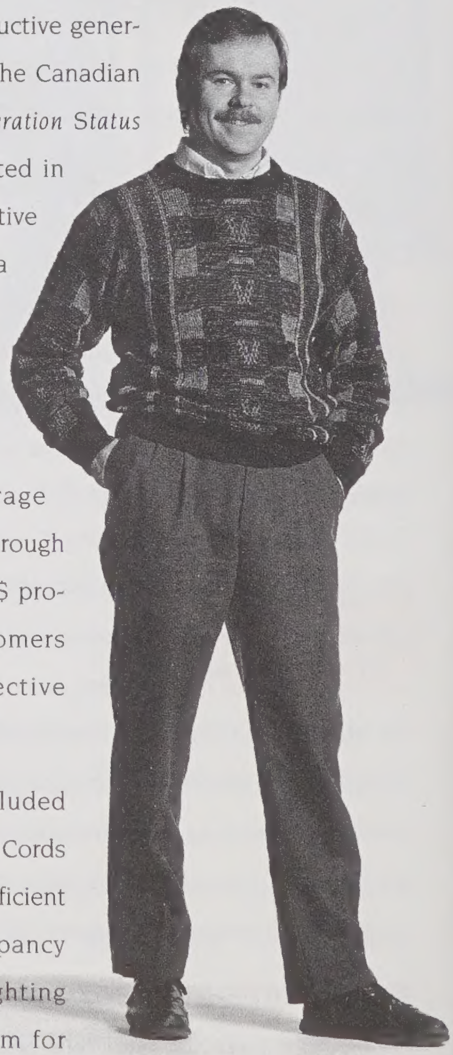
OFFERING COMPETITIVE ENERGY

Offering reliable service while continuing to make progress on environmental protection goals and economic development goals at the same time helped the corporation to remain competitive in 1993.

WHAT OUR CUSTOMERS SAY TransAlta Utilities' ongoing efforts to improve service are based on listening and responding to the needs of customers. In a 1993 independent public attitude survey, 90.2 per cent of the corporation's customers rated service "good to excellent." The corporation was recognized as providing reliable service by 94 per cent of customers, while 90 per cent said TransAlta Utilities restores electricity quickly following an outage.

PRODUCTIVITY RECOGNIZED TransAlta Utilities operates some of the most productive generating units in Canada, according to the Canadian Electrical Association's latest *Generation Status Report*. Of the 97 fossil fuel units rated in the report, six of the 10 most productive thermal generating units in Canada are operated by TransAlta Utilities.



CUSTOMERS BECOMING POWER-SMART TransAlta Utilities continues to encourage customers to use energy efficiently through the Power Smart and Enviro-Partner$ programs. These initiatives help customers save money and reduce our collective impact on the environment.

Power Smart programs in 1993 included the Old Fridge Round Up, Power Saver Cords for vehicle block heaters, the energy efficient Livestock Waterers Program, Occupancy Sensor Program for commercial lighting and High Efficiency Motor Program for industrial customers.

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Joan Hickie (below), Home Economist for the City of Calgary Electric System, and TransAlta's Kevin Hooper (opposite page), Program Manager, Energy Efficiency Programs, worked together in overseeing the collection of more than 4,700 old inefficient refrigerators and freezers in Calgary and area.

Through the Enviro-Partner$ program, TransAlta Utilities provides a variety of services for customers including auditing municipal facilities for energy efficiency improvements. Rocky Mountain House, County of Strathcona, Stony Plain, Olds, Edson, Banff, Innisfail, Nanton and St. Albert have joined the program.

ADVOCATING MARKET-BASED SOLUTIONS TransAlta Utilities helped establish the Economic Instruments Collaborative in Canada which included individuals from the business community and environmental community. The Collaborative has made recommendations to the federal government to use market-based approaches in addressing the issues of acid rain, ground level ozone and climate change. Market-based approaches create incentives for cost-effective action to reduce waste and environmental impacts.

CLEANER POWER THROUGH RESEARCH TransAlta Utilities became a participant in the first phase of a project with other utilities in Canada and the United States to develop advanced gas turbine technology. The goal is to develop a higher efficiency gas-fired turbine that uses less fuel to produce the same amount of electricity, while reducing environmental impacts.

RECYCLING OLD POLES TransAlta, through a wholly owned subsidiary, has entered into a joint venture with Worthing Industries Inc. to recycle used wooden utility poles in an environmentally responsible manner and reduce the number of trees harvested for new poles while generating new revenue for TransAlta. The process involves shaving off the treated outer layer of the used poles and extracting the wood preservatives for reuse. The processed pole can be used as a smaller pole, or cut into lumber.

Helping customers be Power Smart

Through Power Smart programs such as the Old Fridge Round Up, customers were encouraged to be energy efficient, save money and reduce the impact on the environment by disposing of inefficient refrigerators and freezers.

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BUILDING ON STRENGTHS

The corporation's 83 years of engineering and operating experience, combined with the dedication of TransAlta people, continued to create new opportunities for growth during the year.

GROWTH IN INDEPENDENT POWER

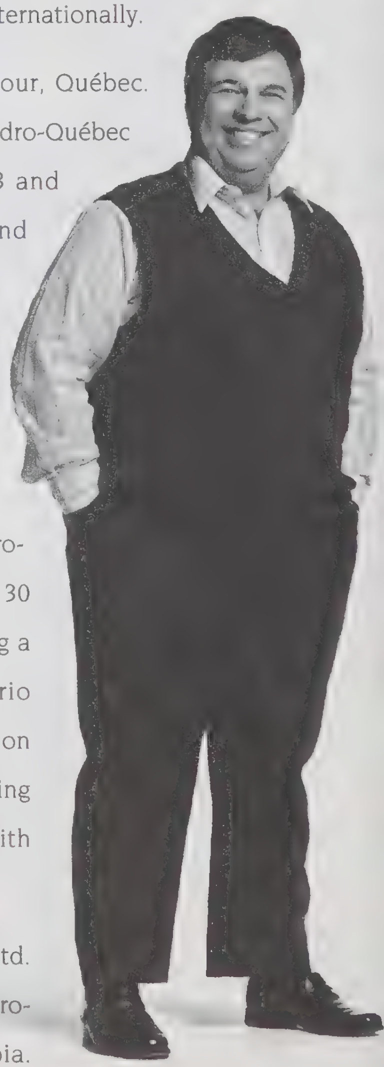
TransAlta Energy's cogeneration plants in Ontario sold a combined total of 1,256 million kilowatt hours of electricity to Ontario Hydro during the year. Through cogeneration, electricity and useful thermal energy (steam, hot water and chilled water) are produced from a single fuel source.

At Mississauga, thermal energy was supplied to McDonnell Douglas' aircraft manufacturing complex and at Ottawa to the five member institutions of the Ottawa Health Sciences Centre and National Defence Medical Centre. TransAlta Energy is pursuing other potential independent power projects at various locations in Canada and internationally.

A cogeneration plant is planned for Bécancour, Québec. Electricity from the plant would be sold to Hydro-Québec under a long-term contract signed in 1993 and steam would be sold to ICI Canada Inc. and Norsk Hydro Canada Inc. Hydro-Québec is currently reviewing its electric supply needs for the future and the status of several independent power projects, including the Bécancour project.

TransAlta Energy's proposed cogeneration project in Windsor, Ontario was resized from 130 megawatts to 50 megawatts in 1993, following a review of future electrical needs by Ontario Hydro. The plant is scheduled to be in operation in December 1996. TransAlta Energy is finalizing a thermal services contract for the plant with Chrysler Canada.

TransAlta Energy and Alberta Natural Gas Ltd. (ANG) are planning an independent power project in the Crowsnest Pass, British Columbia.



Al Skoreyko, TransAlta Energy's Plant Manager in Mississauga.

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The joint-venture partners are pursuing potential markets for electricity generated by the project, which would utilize waste heat from ANG's Crowsnest gas compressor station.

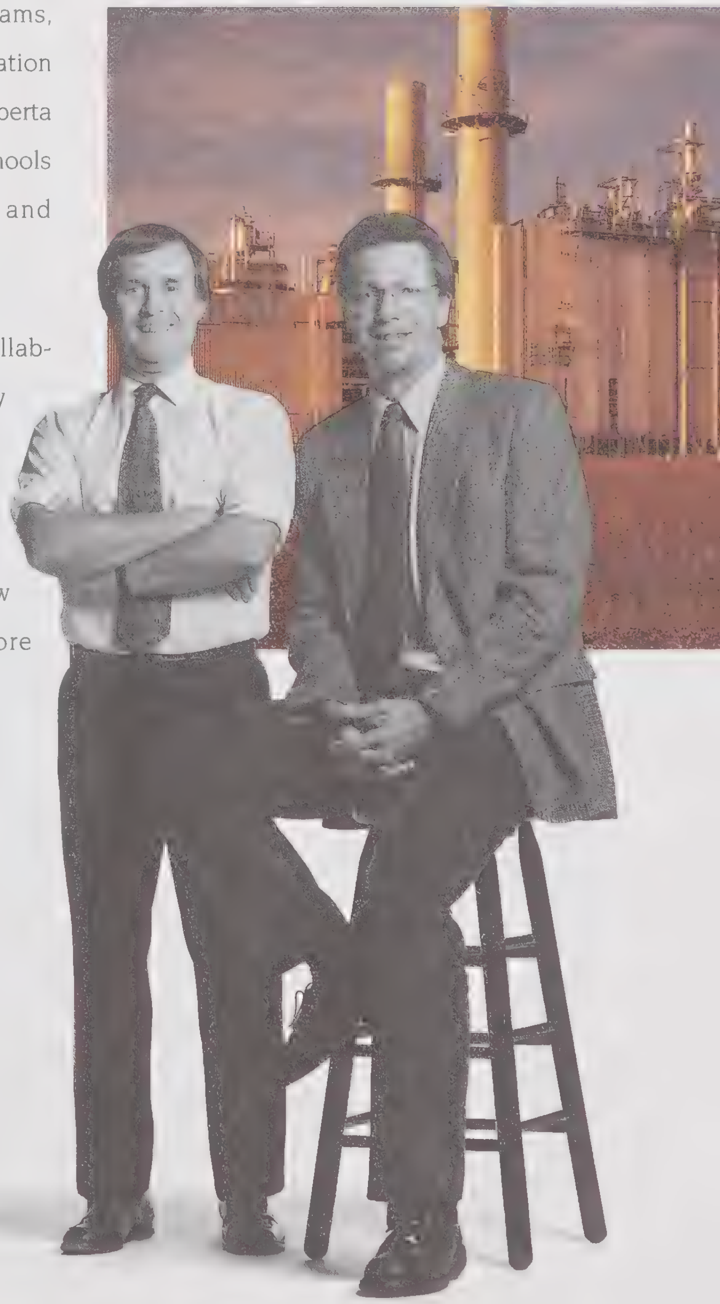
Strength Through Education

TransAlta Utilities has partnered with schools as part of a mutually beneficial relationship to integrate the educational process with business. Through these programs, employees volunteer to work with students and teachers. The corporation continued co-sponsoring the Power of Excellence program with the Alberta Sports Council. Through the program, Olympic athletes visit Alberta schools and give motivational speeches to students on goal setting and personal excellence.

Mutual Gains With Employees

The mutual gains bargaining process based on collaboration and joint problem-solving was successfully expanded to include the TransAlta Employees' Association (TAEA). The International Brotherhood of Electrical Workers and TransAlta had originally initiated the process in negotiations in 1992. The corporation and TAEA are also developing a new pay-for-competence salary system that provides employees with more opportunities to expand their skills.

Jim Gourley (left), McDonnell Douglas' Manager of Facilities Engineering and Maintenance, and Glen Scott, Senior District Operating Supervisor for Ontario Hydro.



Plants mark first full year of operation

TransAlta Energy's two cogeneration plants in Ontario completed their first full year of operation in 1993. The 110-megawatt Mississauga plant and the 68-megawatt Ottawa plant sell electricity to Ontario Hydro under long-term contracts. The Mississauga plant (shown above) also supplies thermal energy to McDonnell Douglas' aircraft manufacturing complex.

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Developing New Business Alliances

In 1993 TransAlta continued to pursue investments in independent power projects that will have a positive impact on earnings through a strategy of establishing partnerships that share capital costs and expertise.

Rick Winsor, Regional Vice-President, Latin America, TransAlta Energy.

Partnerships Key in Global Markets

TransAlta is extending its basic business of power generation to areas outside Canada through a strategy of partnering with established electricity suppliers. The most advanced partnerships are in Argentina and New Zealand.

In December 1993 TransAlta Energy was part of an international consortium that purchased a 59 per cent interest in an Argentine corporation which holds a 30-year concession for the Piedra del Aguila hydroelectric project on the Limay River in Argentina. TransAlta Energy's $100-million investment represents a 27 per cent equity interest in the international consortium. TransAlta Energy's operating partners in the consortium are Duke Energy Corp. of the United States and Chilgener S.A. of Chile. There are also other financial investors in the consortium.

The corporation's operating partners in the project have extensive experience in the electric power sector.

Duke Energy Corp. has other interests in Argentina in transmission and generation. Duke Energy Corp. is an affiliate of Duke Power Company, the seventh largest investor-owned electric utility in the United States. Chilgener S.A. is the second largest electric power generation company in Chile and has actively participated in the privatization of the electric power system in neighboring Argentina. Chilgener S.A. was part of a consortium that was awarded the first privatized electrical power plant located in Buenos Aires when privatization began in Argentina in 1990.

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The debt financing for the Argentine project has been arranged as non-recourse to TransAlta Energy and its partners. The positive market response by the local and international financial community to the debt financing is a strong indication of the strength of the project. Non-recourse debt financing limits TransAlta's financial exposure to its equity investment in the project.

TransAlta Energy and Mercury Energy (formerly the Auckland Electric Power Board) began the design phase for a 110-megawatt cogeneration plant to supply electricity for distribution in Auckland, New Zealand. The project is a virtual duplicate of TransAlta Energy's cogeneration plant in Mississauga and is scheduled to be completed in 1996 with natural gas being supplied by Enerco NZ Ltd., New Zealand's largest natural gas distribution company. Mercury Energy is the country's largest distributor of electricity, serving more than 230,000 customers.

(Left to right)
Juan Antonio Guzman, Chief Executive Officer, Chilgener S.A., M. Rhem Wooten, Jr., President, Duke Energy, Steve Eckert, Senior Vice-President, Latin America, Duke Energy and (seated) Bruno Philippi, Chairman of the Board, Chilgener S.A.

TransAlta Energy partners in Argentina

TransAlta Energy, Chilgener S.A. and Duke Energy are joint operators of the Piedra del Aguila hydroelectric facility in southwest Argentina on the Limay River. Two of the facility's four generating units are in operation with the third unit scheduled for completion in mid-1994 and the fourth unit in late 1994. When complete, the 1,400-megawatt facility (shown above) will supply 10 per cent of Argentina's electricity needs.

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MANAGEMENT DISCUSSION AND ANALYSIS

TransAlta Corporation

TransAlta Corporation has two principal subsidiaries: TransAlta Utilities Corporation and TransAlta Energy Corporation. TransAlta Utilities conducts regulated electric utility operations in Alberta. TransAlta Energy develops independent power projects.

EARNINGS PER SHARE

TRANSALTA UTILITIES' OPERATIONS Rates for TransAlta Utilities' electric service to customers are set by the Alberta Public Utilities Board. Rates are based on the forecast annual revenue required by TransAlta Utilities to cover all operating expenses as well as to provide an opportunity to earn a fair return on invested capital in comparison to returns earned by enterprises of similar risk. In determining rates, the Public Utilities Board uses a future test year and may approve interim rates to customers covering the projected cost of service for that year.

Earnings for the regulated electric utility operations are directly affected by the rates approved by the Public Utilities Board. Variations from forecast in energy sales, operating deductions and financing costs also affect earnings for TransAlta Utilities.

TRANSALTA ENERGY'S OPERATIONS The Mississauga and Ottawa cogeneration plants completed the first full year of operations in 1993. TransAlta Energy supplies electric energy from the plants to Ontario Hydro under long-term contracts. In addition, thermal energy produced by the plants is sold to industrial and institutional customers.

In late December 1993 TransAlta Energy, through its wholly owned subsidiary TransAlta Energy Argentina S.A., was part of an international consortium that purchased a 59 per cent interest in an Argentine corporation which holds a 30-year concession for the Piedra del Aguila 1,400-megawatt hydroelectric facility on the Limay River in Argentina. The concession

TRADING RANGE OF COMMON SHARES ($/share)

	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
High	15.50	14.50	13.88	14.38	15.63	14.88	15.69	14.94	13.88	12.50
Low	12.50	12.00	11.88	11.13	13.25	13.25	12.50	12.88	11.63	9.94
Range	3.00	2.50	2.00	3.25	2.38	1.63	3.19	2.06	2.25	2.56

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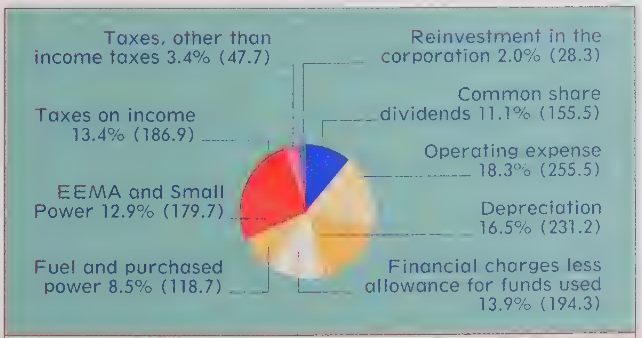
provides all the normal rights and obligations of ownership and operation of the facility. Currently two of the four turbines at the project have been installed and are in operation. When the third and fourth turbines begin operation in mid-1994 and late 1994 respectively, the project will supply about 10 per cent of Argentina's electricity needs. TransAlta Energy's $100-million investment represents a 27 per cent equity interest in the consortium. TransAlta Energy's partners in the consortium are Duke Energy Corp. of the United States, Chilgener S.A. of Chile and other investors.

EARNINGS AND DIVIDENDS TransAlta Corporation earnings in 1993 were $183.8 million, an increase of 0.7 per cent compared to $182.5 million in 1992. Earnings per share decreased 1.7 per cent to $1.16 on an average of 158.7 million common shares outstanding. This compares with $1.18 in 1992, on an average of 155.0 million common shares outstanding.



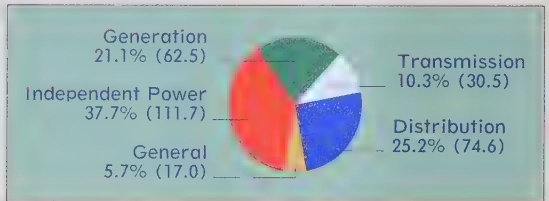
WHERE THE REVENUE DOLLAR WAS SPENT ($ millions)

Earnings from TransAlta Utilities decreased in 1993, reflecting a lower allowed rate of return on common equity. The decrease was partially offset by higher earnings from TransAlta Energy. TransAlta will continue to seek investments that are complementary to its core business and that contribute to increased earnings per share.

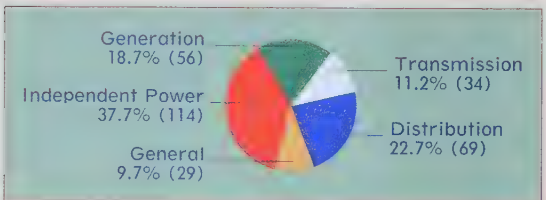
EARNINGS AND DIVIDENDS
($ per share)

Dividends declared on common shares were $0.98 per share in 1993 and in 1992. This represents a high payout of earnings compared to other companies traded on the Toronto Stock Exchange.

INVESTMENT IN FACILITIES Expenditures on facilities for TransAlta Utilities were $184.6 million and for TransAlta Energy $111.7 million — for a total of $296.3 million, a decrease from $415.3 million spent in 1992. Expenditures for TransAlta Energy include the $100 million equity investment in the Piedra del Aguila facility — which, when grossed up to include the related debt to reflect the TransAlta Energy share of the total cost of the facility, would amount to approximately $200 million.



CAPITAL EXPENDITURES 1993 RECORDED ($ millions)



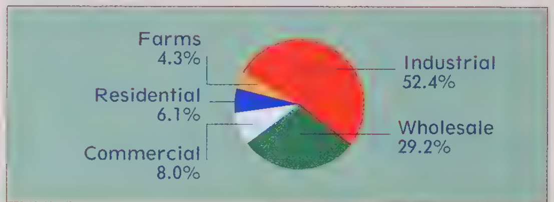
CAPITAL EXPENDITURES 1994 FORECAST ($ millions)

In 1994, expenditures are forecast to be $188 million for TransAlta Utilities and $114 million for TransAlta Energy, for a total of $302 million.

TransAlta Utilities

EARNINGS Earnings from the regulated utility operations decreased six cents per share from 1992 levels due primarily to a lower allowed rate of return on common equity set by the Alberta Public Utilities Board at 11.875 per cent for 1993. This compares to a 13.25 per cent rate of return for 1992, set in a time of higher interest rates.

MODEST GROWTH IN ALBERTA INCREASES ENERGY SALES Energy sales for TransAlta Utilities increased during the year as a result of modest economic growth in Alberta and increased load due to improvements in oil and gas pipeline export volumes. Sales totalled 25,819 million kilowatt hours, an increase of 2.3 per cent from 1992.



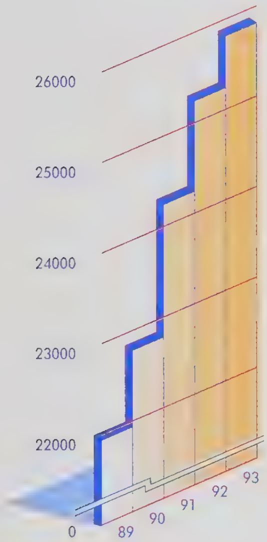
ELECTRIC ENERGY SALES

REVENUES FROM ALBERTA OPERATIONS

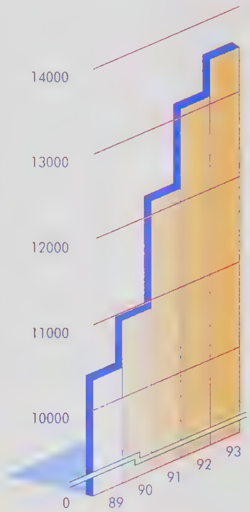
Electric revenues from regulated operations in Alberta were $1,312.8 million, an increase of 3.0 per cent over 1992. After deducting charges under the Alberta Electric Energy Marketing Act and the Small Power Research and Development Act, net revenues were $1,133.1 million — a 3.4 per cent increase over $1,095.7 million in 1992.

The increase in energy revenues reflected increased energy sales and spot sales. Energy revenues for 1993 increased despite lower-than-anticipated wholesale revenues and irrigation revenues. Wholesale revenues and irrigation revenues were less than anticipated due to more aggressive load management by wholesale customers, cooler summer weather and higher than normal rainfall during the summer months in Alberta.

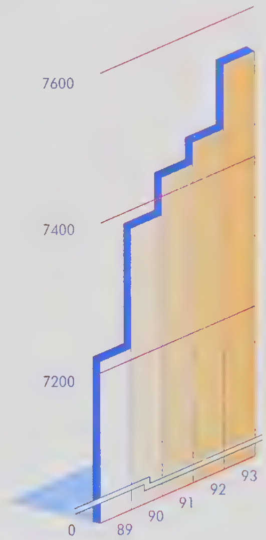
Overall energy sales were up 2.3 per cent from 1992. Industrial electric energy sales represented 52.4 per cent of total sales while wholesale customers accounted for 29.2 per cent of sales. Electric energy sales to farm and irrigation customers were lower due to cooler summer weather and higher than normal rainfall during the summer months in Alberta.



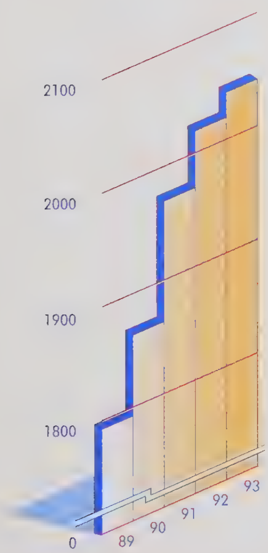
Total Regulated Electric Energy Sales
(millions of kilowatt hours)



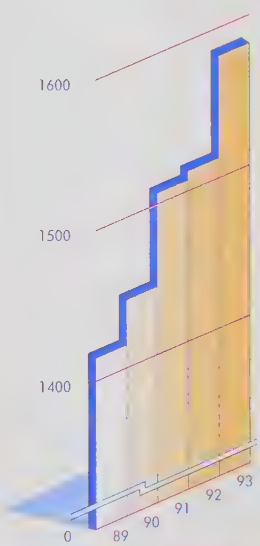
Industrial Electric Energy Sales
(millions of kilowatt hours)



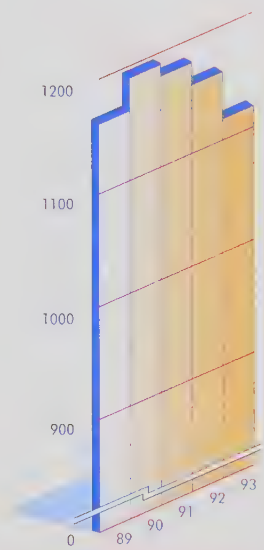
Wholesale Electric Energy Sales
(millions of kilowatt hours)



Commercial Electric Energy Sales
(millions of kilowatt hours)



Residential Electric Energy Sales
(millions of kilowatt hours)



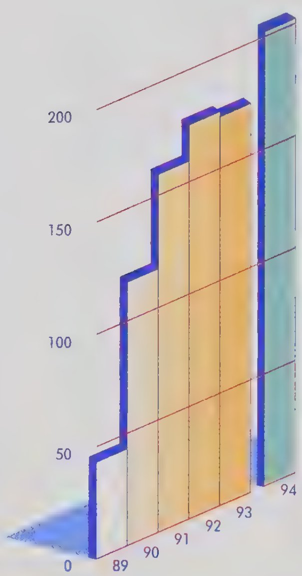
Farm Electric Energy Sales
(millions of kilowatt hours)

Management Discussion and Analysis

Electric Energy Marketing Act Burden Growing In 1993 TransAlta Utilities' customers contributed $173.3 million through the Electric Energy Marketing Act (EEMA) to reduce the power bills of customers of Alberta Power and Edmonton Power. This represented an average of 13 per cent of TransAlta customers' power bills. The subsidy is forecast to grow to $203 million in 1994.

EEMA was established in 1982 by the Alberta government to reduce differences in electricity rates in the province. Through EEMA, the costs of generation and transmission of electric power incurred by Alberta Power, Edmonton Power and TransAlta Utilities are averaged. TransAlta customers are currently bearing the full burden of EEMA costs as TransAlta Utilities is the lowest-cost producer of electricity.

In 1993, TransAlta Utilities' cost of electricity to the province's Electric Energy Marketing Act (EEMA) was 3.2 cents per kilowatt hour, 43 per cent lower than Alberta Power costs and 36 per cent lower than Edmonton Power costs.



1994 Forecast of $203 Million

EEMA Charges
($ millions)

In 1992 the EEMA process was reviewed by a government-appointed panel. Its report to the Alberta government, which recommended certain changes, was released to the public in early 1993.

The government, along with key stakeholders of the electric utility sector, is actively considering modification of EEMA as part of a broad review to recognize the increasing forces of competition on the industry.

Payments to Small Power Producers Increasing In 1993 TransAlta Utilities paid $6.4 million to small power producers for electricity supplied under the Alberta Small Power Research and Development Act — compared to $3.8 million paid in 1992. These payments are forecast to increase to about $19 million in 1994 and to $41 million per year by 1997. Under the program, TransAlta Utilities was required to pay 5.3 cents per kilowatt hour purchased in 1993 — for energy which is not needed at this time. This rate, which will escalate annually with inflation, is significantly greater than the cost of other generation alternatives.

The Small Power Research and Development Act was introduced in 1988 to encourage research and development of renewable electricity generating options — including wind, small hydro, biomass and peat. Under the Act, Alberta electric utilities are required to enter into long-term power purchase contracts with eligible power producers at legislated prices. Total capacity province-wide is limited to 125 megawatts, 121 megawatts of which have been allocated to projects in TransAlta Utilities' service area.

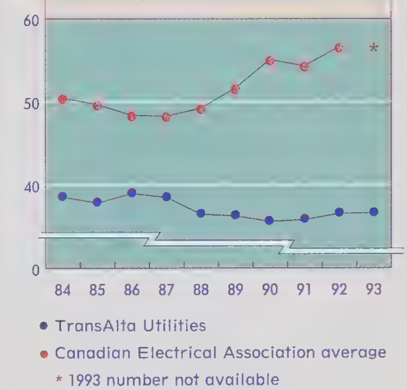
By the end of 1993, 13 projects totalling 31 megawatts delivered power to TransAlta Utilities' system. Four more projects with an additional capacity of 57 megawatts are under construction and expected to deliver power in 1994. The remaining 33 megawatts of allocation are expected in 1996.

OPERATING DEDUCTIONS TransAlta Utilities' operating deductions increased by 5.0 per cent to $783.7 million. Operating expenses increased primarily due to increased power plant maintenance activities, revised Rural Electrification Association business arrangements and inflation. Fuel and purchased power costs decreased to $82.9 million from $91.6 million in 1992, primarily due to interchange sales with other Alberta utilities being credited against fuel costs for a full year. In 1992, at the direction of the Public Utilities Board, certain of these sales were credited against the capital cost of the Sheerness Generating Plant until it was included in rate base.

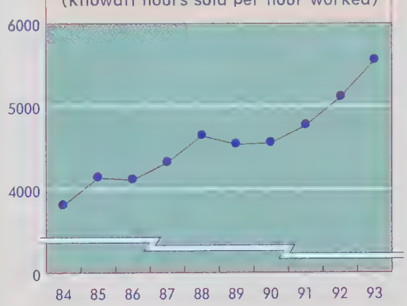
Depreciation expense increased $16.5 million to $224.1 million, reflecting a full year of depreciation on the corporation's ownership of half of the second unit of the Sheerness Generating Plant. Income taxes rose $14.1 million, primarily due to two reasons. One reason was cash earnings increasing with the inclusion of Sheerness in rate base for a full year. The second reason was increased Alberta income taxes resulting from lower available tax deductions due to the tax treatment required by the Public Utilities Board.

PRODUCTIVITY AND COST CONTROL In 1993 TransAlta Utilities sold 5,553 kilowatt hours per hour worked by employees, compared with 5,100 in 1992. Over the past decade, TransAlta Utilities' unit costs (mills per kilowatt hour) have decreased by five per cent in constant 1992 dollars compared with an increase of seven per cent in the Canadian Electrical Association average. The Association represents a large group of utility companies contributing most of Canada's electric generating capacity.

PERFORMANCE COMPARED WITH OTHER ELECTRIC UTILITIES
(total unit costs in constant 1992$ - mills/kilowatt hour)



PRODUCTIVITY INCREASES AT TRANSALTA UTILITIES
(kilowatt hours sold per hour worked)



Employee suggestions through TransAlta Utilities' BEST Program (Brilliant Employee Suggestions at TransAlta) produced savings of just over $1 million in 1993. The program is an initiative to encourage employee suggestions that produce tangible savings or benefits. In the last five years, a combination of ongoing savings and one-time savings of $5.4 million have been realized.

In 1993 TransAlta Utilities made arrangements to lease spare turbine equipment from Ontario Hydro. The equipment will minimize downtime during a six-year maintenance program beginning in 1994 to refurbish turbine rotors on six units at TransAlta's Alberta plants.

Allowance for Funds Used During Construction In the electric utility industry, construction programs require capital to be committed over an extended period of time prior to plant operation. Allowance for funds used during construction (AFUDC) is the debt and equity charges on funds used to finance construction that are capitalized with the plant. AFUDC is a non-cash source of income in the year recorded. Once property is included in rate base, the capital cost of the property, including AFUDC, is recovered through the depreciation component of the total revenue requirement that is recovered in customer rates.

In 1993 AFUDC was $9.7 million, down from $30.1 million in 1992. The decrease was primarily due to the second unit at the Sheerness Generating Plant being in rate base for the full year as compared with six months in 1992. The reduction occurs as a plant in rate base generates cash earnings rather than AFUDC. Reduced levels of future capital expenditures coupled with lower costs of capital are expected to result in continued lower amounts of AFUDC earnings in 1994.

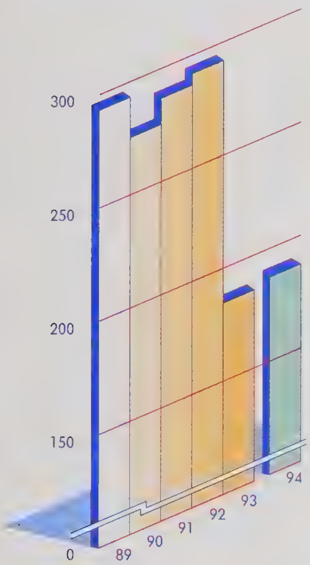
Financing Charges Financing charges for TransAlta Utilities were $190.4 million, down from $205.3 million in 1992. The reduction was primarily the result of replacing preferred shares with debt at lower interest rates. Interest charges decreased $6.0 million to $140.3 million due to refinancing of high-coupon debt issues at lower interest rates.

To reduce financing charges, TransAlta Utilities issued in May 1993, $200 million principal amount 8.35 per cent Series T Secured Debentures yielding 8.39 per cent. The proceeds of the issue were used in the redemption of the 9.00 per cent and 8.64 per cent series of First Preferred Shares, totalling $106.7 million, and $85.0 million of the 7.20 per cent First Preferred Shares which were retracted by shareholders.

In November 1993 TransAlta Utilities further reduced financing charges by issuing $150 million principal amount 7.25 per cent Series U Secured Debentures, yielding 7.32 per cent. These debentures replaced long-term debt with interest rates ranging from 10.5 per cent to 12 per cent.

In 1994 financing charges for TransAlta Utilities are forecast to decrease by $6 million as the impact of the 1993 refinancing is reflected for a full year.

CAPITAL EXPENDITURES DECLINE Capital spending for TransAlta Utilities was $184.6 million, a decrease from $291.8 million spent in 1992. The decline is indicative of the modest growth in electricity demand in Alberta which has significantly reduced the forecast need for new facilities.



CAPITAL EXPENDITURES FOR TRANSALTA UTILITIES
($ millions)

Capital expenditures of $188 million are forecast for 1994 and are expected to average approximately $200 million per year for the next few years.

LIQUIDITY During 1993 TransAlta Utilities satisfied cash requirements for capital programs primarily through internally generated funds from utility operations.

As noted previously, TransAlta Utilities also replaced certain outstanding preferred shares totalling $191.7 million with debt, reducing preferred dividends to $50.1 million in 1993 from $59.0 million in 1992. With decreases in the cost of debt and reductions in the amount of federal income tax paid by the utility and rebated to customers, preferred shares now have a higher cost to the corporation and ultimately to customers.

The primary need for financing in 1994 will be for refunding purposes. With the increased tax costs associated with new preferred share issues and a lower interest rate environment, TransAlta Utilities plans to utilize lower cost debt to satisfy its financing requirements during 1994.

RATES TransAlta Utilities reached agreement with customer representatives on most of the components associated with its 1993 revenue requirement through a consensus-building process. An interim rate increase was approved in January 1993 by the Public Utilities Board on the basis of the consensus process. The allowed rate of return was the primary issue not resolved by this process.

Following a public hearing, the Public Utilities Board reduced the allowed rate of return on common equity of TransAlta Utilities to 11.875 per cent, from 13.25 per cent allowed in 1992. The Board also confirmed the corporation's mid-year capital structure in the decision issued in September. The Public Utilities Board stated that it was satisfied with the consensus process and accordingly adopted the individual items of the consensus agreement in fixing the revenue requirement.

As a result of the Public Utilities Board's decision to reduce TransAlta Utilities' allowed rate of return, the corporation began refunding $12 million to its customers over a 10-month period beginning January 1, 1994. The refund will be more than offset in 1994 by $26 million in increased payments by TransAlta Utilities' customers under the Electric Energy Marketing Act, which are reflected on customer bills for consumption after February 1, 1994.

ENVIRONMENTAL COSTS Protection of the environment is a vital element of the corporation's business. The environmental policy statement set out on the inside back cover of this report guides the corporation in its operations and business decisions.

Through its rates, TransAlta Utilities collects an amount to cover the future costs of reclaiming mining operations and to restore the sites of generation, transmission and distribution facilities. Estimated mining reclamation costs are recorded as operating expenses. Depreciation rates incorporate estimates of service lives and future net salvage costs. Estimated future net salvage costs include the costs to remove plants from service and restore the sites, net of estimated recoveries from salvage.

ALBERTA ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACT The Alberta Environmental Protection and Enhancement Act was passed by the Alberta government in 1992 and came into effect on September 1, 1993.

The general purpose of the Act is to support and promote the protection, enhancement and wise use of the environment. The Act includes recognition of sustainable development, a legislated Environmental Impact Assessment process, integrated approvals and increased levels of public consultation.

For TransAlta Utilities, the Act means that applications to obtain approval of new projects or for the renewal of existing approvals may take more time than has been our previous experience to ensure adequate public involvement and fulfill additional information requirements. TransAlta Utilities' existing practices regarding public participation and its commitment to following the practices outlined in its environmental policy statement are in harmony with the Act.

ACTIONS FOCUSED ON INDUSTRY CHANGE

In addition to efforts to control costs, TransAlta strives to increase the corporation's competitiveness.

TransAlta Utilities has asked the Public Utilities Board to consider new rates to provide customer standby services and export-related transportation services for others. Both services were initially part of an application to provide network access rates for customers requesting partial services involving TransAlta Utilities' transmission and distribution systems. Delays in the initial network access application prompted TransAlta Utilities to advance a separate application for the standby and export rates only.

Standby services are designed for customers who generate their own power and require system electricity as a back-up only. Transportation services for electric energy exports are required in anticipation of requests by other generators for the use of TransAlta Utilities' transmission system for out-of-province transactions.

Following further discussions with stakeholder groups, TransAlta Utilities intends to seek approval for complete transmission and distribution network access rates.

A key strategy to ensure low-cost services to customers is the evaluation of all potential new generating sources. While new sources of electricity supply may not be required before 1998, the corporation intends to evaluate competitive generation from independent power producers in meeting future electric needs.

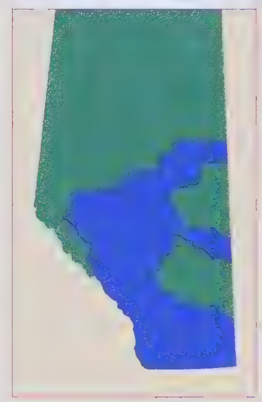
Alberta's Economy and Load Growth

Historically, TransAlta's regulated utility business generally reflected its low-cost structure and growth of Alberta's economy.

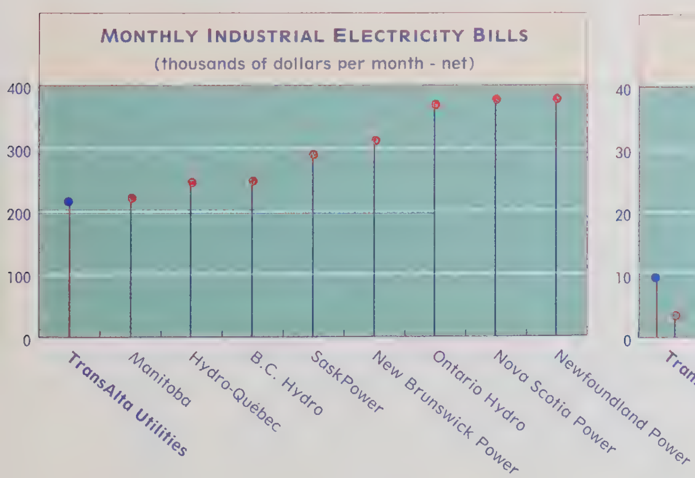
Competitive costs continue to be TransAlta Utilities' primary growth strategy, with emphasis on wise use of energy.

Alberta's average provincial economic growth in 1993 was modest. Most economists agree 1994 will also reflect modest growth. Accordingly, energy sales are forecast to grow by 2.4 per cent in 1994. Annual growth of energy sales is predicted to be two to three per cent for the mid-1990s as TransAlta Utilities anticipates load growth mainly from the oil and natural gas sectors (particularly from natural gas processing) and in the chemical and forest products sectors.

TransAlta Utilities' Service Area



TransAlta Utilities continued to be Alberta's largest producer of electricity, providing electricity directly and indirectly to about 1.7 million Albertans across its 212,000 square kilometre service area.



TransAlta Utilities is committed to keeping the cost of electricity low to attract new industries to Alberta and to help the province remain competitive.

Source: TransAlta survey of electricity rates in January 1994. Based on 10-megawatt load at 90 per cent load factor.

A 1993 international survey shows TransAlta Utilities' industrial and residential electricity rates to be the lowest of the major utilities.

Source: The Electricity Association, London, England. Industrial based on 10-megawatt load, 80 per cent load factor and 90 per cent power factor. Residential based on annual consumption of 7,500 kilowatt hours. Rates converted to Canadian cents as of January 1993.

Customers in the oil and gas, petrochemical and forestry sectors represent about 36 per cent of TransAlta Utilities' electric revenue. There is a positive outlook for these sectors, particularly oil and gas. The largest single customer of TransAlta Utilities is the City of Calgary, which buys wholesale electric energy and represents about 22 per cent of electric revenue. Calgary's economy is dominated by oil and gas and will benefit from any growth in this sector.

OUTLOOK FOR TRANSALTA UTILITIES Issues facing TransAlta and the electric utility industry in general include environmental challenges and increasing competitive pressures.

ENVIRONMENTAL CHALLENGES: The environment is a fundamental concern of TransAlta and its customers and is an important consideration in all of the corporation's activities. As a coal-burning producer of electricity, TransAlta is paying close attention to concerns over global climate change and the emissions of carbon dioxide (CO_2) and other greenhouse gases.

Under the terms of the International Framework Convention on Climate Change, to which Canada is a signatory, the federal government has committed to stabilize emissions of greenhouse gases at 1990 levels by the year 2000.

As government policies evolve, the corporation will continue to press for the adoption of targets in line with Canada's trade partners and competitors.

TransAlta is taking voluntary, cost-effective steps to address greenhouse gas emissions. The corporation has a three-pronged approach: improving internal operational efficiencies, working with customers to help them use energy more efficiently and reduce consumption, and investigating greenhouse gas offset projects in Canada and elsewhere.

TransAlta believes that business can make an important contribution to the structure of new legislation and continues to participate fully in public consultations with stakeholders. TransAlta does not support the use of taxes that unfairly target certain industries or regions. Instead, the corporation advocates market-based mechanisms to provide the least-cost methods to address environmental objectives.

INCREASING COMPETITIVE PRESSURES: The Alberta electricity market has always been competitive as many of the larger electric energy users have other energy options, particularly natural gas. Although TransAlta Utilities is a low-cost producer, the corporation must continue to seek improvements to remain competitive. In addition to these existing competitive pressures, technological change has brought competition to the generating function, once a natural monopoly for utilities. Customers are looking to self-generation and cogeneration options.

Independent power producers are playing an increasingly important role in providing utilities

and others with new sources of generation. Within Alberta, TransAlta Utilities plans to include independent power producers as a supply alternative when determining future generating needs. The corporation recognizes the desire of these producers to enter the generation market and the challenge of finding a framework that allows the selection of the most economical and competitive electric resources. TransAlta Utilities believes a competitive procurement system provides such a framework.

TransAlta Energy

Earnings TransAlta Energy contributed an additional four cents to TransAlta Corporation's earnings per share in 1993 as compared to 1992. A full year of operations of the two Ontario independent power projects and continued investment income from other investments contributed to the improved performance.

TransAlta Energy's investments in independent power are expected to make a growing contribution to earnings in future years. Earnings in 1994 will reflect a full year of operations of the Piedra del Aguila hydroelectric project in Argentina.

Energy Sales Electricity sales to Ontario Hydro in 1993 were 447.4 million kilowatt hours from the Ottawa plant and 808.4 million kilowatt hours from the Mississauga facility. Electricity sales from the two plants are forecast to increase by 10 per cent in 1994.

Revenues Revenues from TransAlta Energy's independent power plants were $75.2 million in 1993 — compared to $5.9 million for one month of operation in 1992.

Operating Deductions TransAlta Energy's total operating deductions, comprised largely of natural gas fuel costs and depreciation, were

Operating Plants and Planned Projects in Canada

Operating plants:

- Ottawa – 68-megawatt plant at the Ottawa Health Sciences Centre.
- Mississauga – 110-megawatt plant at McDonnell Douglas Canada.

Planned projects:

- Bécancour, Québec
- Windsor, Ontario
- Crowsnest Pass, British Columbia

$56.3 million in 1993. This compared to $3.5 million in 1992, and reflected a full year of operations of the two cogeneration plants in Ontario.

Reliability The Mississauga and Ottawa plants were available to supply electric and thermal energy 90 per cent of the time — an excellent result for the first year of operation. The two plants were the first power plants in the world to use the high-efficiency General Electric LM6000 gas turbines which were derived from a jet aircraft engine. In 1994 plant availability is forecast to be even higher at 95 per cent.

Investment Income In 1993 investment income was $9.8 million. A total of $2.3 million was generated by TransAlta Corporation's investment in AEC Power, which supplies electric energy and steam to the Syncrude Project in northern Alberta. The rate of return for this investment is currently being negotiated with the Syncrude owners for 1994 and subsequent years.

Income from the investment in Sherritt Inc. convertible notes was $7.5 million. In January 1994 the corporation disposed of two-thirds of the investment in the notes for a gain of $3.7 million. The gain will be recorded as income in 1994. The remaining investment is intended for sale in 1994.

Financing Charges Financing charges for TransAlta Energy were $13.6 million.

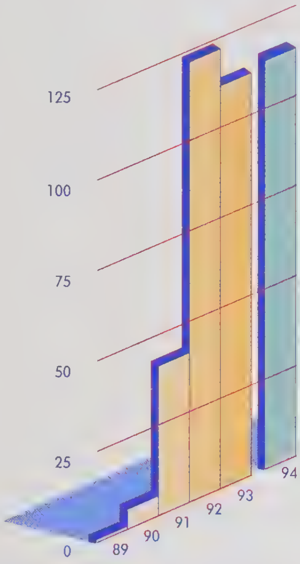
Non-recourse financing was arranged in 1992 for each of the two Ontario independent power plants. An 18-year, fixed rate debt financing of $85 million is in place for the $105-million Mississauga project. A 14-year, fixed rate debt financing of $50 million is in place for the $68-million Ottawa project.

Approximately $300 million of debt financing was arranged for Hidroelectrica Piedra del Aguila S.A. (PdA) as non-recourse to TransAlta Energy and the other equity investors in PdA. This financing was to retire certain debt assumed with the investment and provide funding for completion of construction of the facility.

Non-recourse debt financing limits TransAlta Corporation's financial exposure to its equity investment in the project.

Project Expenditures TransAlta Energy expenditures on independent power projects were $111.7 million in 1993, a decrease from $123.5 million in 1992. Expenditures for the year included approximately $100 million to purchase the interest in the PdA project in Argentina. In 1994 expenditures on independent

power projects are forecast to be $114 million, including approximately $30 million for the initial construction on the Bécancour cogeneration project in Québec. Hydro-Québec is currently reviewing its electrical supply needs for the future together with the status of several independent power projects including the Bécancour project. Investment in the Bécancour project will only be undertaken when the project is confirmed by Hydro-Québec. Project spending for TransAlta Energy is expected to continue to vary year-by-year as new power projects are developed.



PROJECT EXPENDITURES FOR TRANSALTA ENERGY
($ millions)

LIQUIDITY In 1993 TransAlta Energy arranged interim financing of approximately $100 million for its equity investment in the PdA project. In 1994 TransAlta Energy will be repaying the interim financing with the proceeds of the sale of the Sherritt Inc. investment, cash flow from operations and the issue of long-term securities.

OUTLOOK FOR TRANSALTA ENERGY

TransAlta Energy is developing additional independent power projects in Canada and internationally that extend the corporation's basic business of power generation.

To be competitive in this market, TransAlta is applying its more than 83 years of financing, engineering and operating experience in developing new projects.

Independent power projects in Canada that are being negotiated include a cogeneration project in Windsor, Ontario, and an independent power project in Crowsnest Pass, British Columbia jointly owned with Alberta Natural Gas Ltd.

TransAlta Energy continues to seek new opportunities in independent power projects in Canada, New Zealand and South America and is exploring other international markets.

Developing opportunities outside of North America includes additional risks as countries transact business in different ways. To mitigate these risks, TransAlta Energy is concentrating on opportunities to work with well established partners through shared capital and shared expertise. The corporation's focus is on finding areas with clear and well established practices that have growing market economies and an increasing demand for electric energy.

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Management Responsibility

In management's opinion, the accompanying financial statements have been properly prepared within reasonable limits of materiality and within the framework of generally accepted accounting principles and policies consistently applied and summarized in the consolidated financial statements. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to February 11, 1994. Management is responsible for all information in the annual report. Financial operating data in the report are consistent, where applicable, with the financial statements.

To meet its responsibility for reliable and accurate financial statements, management has established systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization. These systems are monitored by management and by internal auditors. In addition, the internal auditors perform appropriate tests and related audit procedures.

The financial statements have been examined by Ernst & Young, independent Chartered Accountants. The external auditors' responsibility is to express a professional opinion on the fairness of management's financial statements. The Auditors' Report outlines the scope of their examination and their opinion.

To ensure that management fulfills its responsibility for financial reporting and internal control, the Board of Directors is assisted by an Audit Committee, whose members are non-management directors. The Audit Committee meets regularly with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities, and to review the financial statements. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also recommends, for review by the Board of Directors and approval of shareholders, the appointment of the external auditors. The internal and external auditors have full and free access to the Audit Committee.

President and Chief Executive Officer
February 11, 1994

Senior Vice-President and Chief Financial Officer

Auditors' Report

To the Shareholders of TransAlta Corporation:

We have audited the consolidated statements of financial position of TransAlta Corporation as at December 31, 1993 and 1992 and the consolidated statements of earnings and reinvested earnings and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1993 and 1992 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Canada
February 11, 1994

Ernst + Young
Chartered Accountants

ncial statements

Consolidated Statements of Earnings and Reinvested Earnings

(in millions except net earnings per share)	Year Ended December 31 1993	1992
Electric revenue – regulated	$ 1,312.8	$ 1,275.1
Less: Alberta Electric Energy Marketing Act net charge	173.3	175.6
Alberta Small Power Research and Development Act charge	6.4	3.8
	1,133.1	1,095.7
Energy revenues – non-regulated	75.2	5.9
	1,208.3	1,101.6
Operating deductions		
Regulated		
Operating expenses	243.3	229.5
Fuel and purchased power	82.9	91.6
Taxes, other than taxes on income	47.7	46.1
Depreciation	224.1	207.6
Taxes on income	185.7	171.6
Non-regulated	56.3	3.5
	840.0	749.9
Operating income	368.3	351.7
Allowance for funds used during construction	9.7	30.1
Investment income	9.8	7.1
Earnings before financing charges	387.8	388.9
Interest charges		
Long-term debt – recourse	138.3	138.3
– non-recourse	11.0	0.7
Short-term debt	4.6	8.4
	153.9	147.4
Preferred share dividend requirements	50.1	59.0
Financing charges	204.0	206.4
Net earnings applicable to common shares (Note 9)	183.8	182.5
Common share dividends	155.5	152.0
Reinvested earnings	28.3	30.5
Opening balance	518.5	488.0
Closing balance	$ 546.8	$ 518.5
Earnings per share		
Average common shares outstanding	158.7	155.0
Net earnings per share	$ 1.16	$ 1.18

See accompanying summary of accounting policies and notes.

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Consolidated Statements of Financial Position

(in millions)	December 31 1993	1992
Assets		
Property		
Land, buildings, plant and equipment	$ 5,812.6	$ 5,646.5
Less accumulated depreciation	2,004.2	1,794.2
	3,808.4	3,852.3
Investments	116.5	15.6
Current assets		
Accounts receivable	207.6	201.4
Marketable securities	32.8	25.6
Materials and supplies at average cost	47.6	43.5
	288.0	270.5
Deferred costs	38.6	37.7
	$ 4,251.5	$ 4,176.1
Capital and liabilities		
Common shareholders' equity		
Common shares	$ 913.6	$ 910.3
Contributed surplus	17.2	17.2
Reinvested earnings	546.8	518.5
	1,477.6	1,446.0
Preferred shares of a subsidiary	549.0	754.4
Long-term debt of subsidiaries – recourse	1,546.5	1,177.2
– non-recourse	109.5	113.6
	3,682.6	3,491.2
Current liabilities		
Bank loan and short-term notes of a subsidiary	37.1	–
Accounts payable and accrued liabilities	138.9	159.1
Dividends payable	49.4	53.5
Income taxes payable	19.3	34.8
Current portion of long-term debt	92.8	211.6
	337.5	459.0
Deferred credits		
Deferred income taxes	40.7	40.7
Customer and other contributions	190.7	185.2
	231.4	225.9
	$ 4,251.5	$ 4,176.1

See accompanying summary of accounting policies and notes.

On behalf of the Board:

Director

Director

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Consolidated Statements of Cash Flows

(in millions)	Year Ended December 31 1993	1992
Cash from operations		
Net earnings applicable to common shares	$ 183.8	$ 182.5
Operating items not using cash	236.2	205.6
	420.0	388.1
Change in non-cash working capital balances	(56.1)	38.7
Common share dividends	(155.5)	(148.4)
	208.4	278.4
Cash applied to investments		
Additions to property - regulated	184.6	291.8
Less: allowance for equity funds used during construction	6.0	17.9
	178.6	273.9
Independent power plants and equipment	10.6	123.5
Investment in Hidroneuquén S.A.	101.1	–
Other	5.5	10.9
	295.8	408.3
Cash deficiency before financing	$ 87.4	$ 129.9
Financing		
Long-term financing		
Common shares	$ 3.3	$ 161.1
Long-term financing of subsidiaries		
TransAlta Utilities Corporation		
Long-term debt	368.9	171.2
Repayment of long-term debt	(213.5)	(116.4)
Redemption or purchase of preferred shares	(205.4)	(8.5)
Other	6.1	13.9
TransAlta Energy Corporation		
Long-term debt – recourse	98.5	17.8
– non-recourse	–	117.2
Repayment of long-term debt – recourse	(4.3)	(39.6)
– non-recourse	(3.3)	(0.3)
Net increase in long-term financing	50.3	316.4
Short-term financing		
TransAlta Utilities Corporation		
Bank loan and short-term notes increase (decrease)	37.1	(186.5)
	$ 87.4	$ 129.9

See accompanying summary of accounting policies and notes.

Summary of Accounting Policies

Generally Accepted Accounting Principles The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. These principles conform in all material respects with International Accounting Standards.

The corporation is incorporated under the laws of Canada and is engaged primarily in the production and sale of electric energy. Its activities are classified as one segment for financial reporting purposes.

Regulation TransAlta Utilities Corporation ("TransAlta Utilities"), a subsidiary of the corporation, is regulated by the Energy Resources Conservation Board pursuant to the Hydro and Electric Energy Act (Alberta); the Public Utilities Board pursuant to Part II of the Public Utilities Board Act (Alberta); and is subject to the Provincial Water Power Regulations (Alberta). These acts and regulations cover such matters as rates, construction, operations, financing and accounting.

Allowance for Funds Used During Construction TransAlta Utilities capitalizes an allowance for funds used during construction at the cost of capital related to utility property under construction. This amount is a non-cash item of income which will be charged and recovered in rates to customers over the service life of the assets, commencing with their inclusion in rate base.

As directed by the Public Utilities Board, until June 30, 1992, TransAlta Utilities capitalized an allowance for funds used on plant held for future use at a reduced return with the equity return set at a debt cost level. During 1992 the amount capitalized totalled $16.5 million.

Consolidation and Investments The consolidated financial statements include the accounts of the corporation and all wholly-owned subsidiaries, of which TransAlta Utilities and its subsidiaries (TransAlta Fly Ash Corporation, Kanelk Transmission Company Limited and Farm Electric Services Ltd.) and TransAlta Energy Corporation ("TransAlta Energy") are active.

TransAlta Utilities owns and operates electric generation, transmission and distribution facilities in the province of Alberta. TransAlta Fly Ash Corporation processes and sells fly ash gathered at TransAlta Utilities' coal-fired generating plants. Kanelk Transmission Company Limited owns facilities interconnecting TransAlta Utilities' transmission system between the Crowsnest Pass region and the Kananaskis River valley and in doing so passes through a portion of British Columbia. Farm Electric Services Ltd. is a non-profit entity which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by rural electrification co-operative associations.

TransAlta Energy develops, constructs, owns and operates independent electric and thermal energy plants and holds investments.

The investments in AEC Power Ltd. and Hidroneuquén S.A. are accounted for by the equity method.

Customer Contributions Customer contributions to TransAlta Utilities for new service connections amounting to $190.0 million ($182.6 million in 1992) are credited to deferred revenue and amortized over the expected terms of the revenue deficiencies. The composite rate of amortization is approximately 3% per annum.

Deferred Costs Unamortized financing costs of TransAlta Utilities are included in other assets and are amortized to earnings as follows:

Debt issues - over the lesser of the remaining original life or the estimated average life of the issue.

Preferred share issues - over the estimated average life of the issue.

Gains or losses realized on the purchase of debt for sinking fund purposes are amortized over the remaining life of the issue. These policies are in accordance with the method of determining TransAlta Utilities' cost of capital for regulatory purposes.

Financing costs of TransAlta Energy are included in other assets and amortized on a straight-line basis over the term of the debt issue to which they relate.

Costs incurred by TransAlta Energy to develop potential investments are deferred until construction of a plant commences or acquisition of an investment has been completed, at which time the costs are included in property or investments. When it has been determined that construction of a plant or acquisition of an investment will not occur, the related costs are included in operating expenses.

PROPERTY Land, buildings, plant and equipment are carried at cost. TransAlta Utilities provides for depreciation on a straight-line basis using various rates as approved by the Public Utilities Board, based on depreciation studies prepared by TransAlta Utilities, and which result in an overall composite rate of depreciation of 4.28% (4.34% in 1992).

Independent power plants are carried at cost and depreciated on a unit-of-production basis over the term of the related power sales contracts.

Depreciation rates incorporate estimates of service lives and future net salvage costs. Estimated future net salvage costs include the costs to remove plant from service, net of estimated recoveries. Estimated costs to reclaim mining properties are recorded as operating expenses primarily on a unit-of-production basis.

REVENUE RECOGNITION Revenues are recognized on the accrual basis, which includes an estimate of the value of electricity consumed by customers and billed subsequent to year end.

TAXES ON INCOME For federal income tax purposes, earnings from the operating activities of TransAlta Utilities are taxed by a tax allocation method under which accounting income and taxable income are equated through the timing of deductions for income tax purposes. All income taxes are paid on a current basis and no income taxes are deferred. For 1981 and 1982, TransAlta Utilities reduced the federal income tax provision and payments by claiming deductions for income tax purposes greater than the amounts charged to earnings.

As directed by the Public Utilities Board, effective 1991 TransAlta Utilities adopted the taxes payable method of accounting for provincial income taxes, under which taxable income differs from accounting income through claiming deductions for income tax purposes greater than the amounts charged to earnings. The Alberta income taxes are included in operating deductions and no income taxes are deferred. Prior to 1991, the tax allocation method followed for federal income tax purposes was followed for provincial income tax purposes.

Income taxes on earnings from construction activities of TransAlta Utilities will be recorded only when the costs of the constructed assets are depreciated.

Since there is a reasonable expectation that when income taxes become payable they will be included in rates approved by the Board and recovered from the customers of TransAlta Utilities, federal income tax reductions of $58.8 million, provincial income tax reductions of $27.4 million and income taxes on earnings from construction activities have not been recorded.

Prior to 1990, under the Public Utilities Income Tax Transfer Act (Canada) and enabling legislation passed by the Province of Alberta, 95% of the federal and 100% of the provincial income taxes paid by TransAlta Utilities attributable to its electric utility operations were rebated to its customers. Effective for the 1990 taxation year, rebates of federal income tax were frozen at the 1989 level for a period of five years and rebates of provincial income tax were eliminated. Effective 1993, the amount of federal tax available for rebate has been reduced from 95% to 85.5%.

TransAlta Energy utilizes a tax allocation method of accounting. At December 31, 1993, approximately $63.4 million of tax losses had been incurred by TransAlta Energy for which no future benefit has been recorded. These losses expire in the years 1994 to 2000.

TRANSLATION OF FOREIGN CURRENCY Long-term debt payable in United States dollars by TransAlta Utilities is translated at the year-end exchange rate. The resulting adjustment is amortized over the remaining life of the debt in accordance with the method used in determining TransAlta Utilities' cost of capital for regulatory purposes.

(tabular dollar amounts in millions)

1 Property

	Depreciation Rates 1993 and 1992	1993 Cost	1993 Accumulated Depreciation	1992 Cost	1992 Accumulated Depreciation
TransAlta Utilities					
Hydro production	2.66%	$ 271.4	$ 114.1	$ 266.9	$ 106.5
Thermal production including coal mines	3.24% - 4.07%	2,220.1	707.0	2,199.0	642.4
Environmental control	3.58%	401.5	147.7	396.7	134.0
Transmission lines, substations and distribution systems	4.10% - 5.68%	2,160.6	871.5	2,057.6	775.9
Other	Various	496.5	156.1	452.8	134.8
Property under construction		82.1	–	103.8	–
		5,632.2	1,996.4	5,476.8	1,793.6
TransAlta Energy					
Independent power plants and equipment	Unit-of-Production	173.2	7.6	169.2	0.5
Other	10.00% - 20.00%	1.4	0.2	0.5	0.1
Property under construction		5.8	–	–	–
		180.4	7.8	169.7	0.6
		$ 5,812.6	$ 2,004.2	$ 5,646.5	$ 1,794.2

The allowance for funds used during construction was capitalized at a rate of 10.4% (11.0% in 1992) on utility property under construction.

2 Investments

	December 31, 1993	December 31, 1992
AEC Power Ltd.	$ 15.4	$ 15.6
Hidroneuquén S.A.	101.1	–
	$ 116.5	$ 15.6

AEC Power Ltd. AEC Power Ltd. owns and operates the utilities plant that supplies electric energy and steam on a cost-of-service basis to the Syncrude Project for production of synthetic crude oil from the Alberta oil sands. The investment consists of 50 per cent of the voting common shares, which represents one third of the outstanding shares.

Hidroneuquén S.A. On December 29, 1993, TransAlta Energy, through a wholly-owned subsidiary, TransAlta Energy Argentina S.A., purchased approximately 27 per cent of the common shares of Hidroneuquén S.A. which owns 59 per cent of the common shares of Hidroelectrica Piedra del Aguila S.A. (PdA). PdA owns a 30-year concession which provides it with all the rights and responsibilities associated with the ownership and operation of a 1,400-megawatt hydroelectric power facility in Argentina. The cash flows from this investment are substantially denominated in United States dollars.

3 Marketable Securities

TransAlta Energy holds convertible notes of Sherritt Inc. with a face value of $29 million and an estimated market value of $36 million (estimated market value of $29 million in 1992). In January 1994 TransAlta Energy sold approximately two-thirds of its investment in the notes for a gain of $3.7 million. The gain will be recorded as income in 1994.

4 DEFERRED COSTS

	December 31 1993	December 31 1992
TransAlta Utilities		
Unamortized financing costs	$ 23.2	$ 19.5
Unamortized preliminary construction costs - Keephills units 3 and 4	–	6.1
	23.2	25.6
TransAlta Energy		
Unamortized financing costs	4.7	5.0
Development costs	10.7	7.1
	15.4	12.1
	$ 38.6	$ 37.7

The unamortized Keephills units 3 and 4 costs were charged to earnings and recovered in rates to customers of TransAlta Utilities in equal annual amounts ending in 1993, in accordance with a direction of the Public Utilities Board.

5 CAPITALIZATION

i) Common Shares

(a) Authorized

Unlimited number of voting common shares without nominal or par value.

(b) Issued and outstanding

Issues of common share capital for the two years ended December 31, 1993 are summarized as follows:

	Millions of Shares	Common Share Capital
December 31, 1991	144.0	$ 749.2
For cash under a rights offering	12.2	132.1
For cash under the corporation's Dividend Reinvestment and Share Purchase Plan	2.3	29.0
December 31, 1992	158.5	910.3
For cash under the corporation's Dividend Reinvestment and Share Purchase Plan and share option plan	0.2	3.3
December 31, 1993	158.7	$ 913.6

(c) Common shares reserved for future issue

Under the terms of a share option plan, the corporation is authorized to grant certain key employees options to purchase up to an aggregate of two million common shares at prices based on the market price of the shares as determined on the date of the grant. Options may not be exercised until one year after grant and thereafter at an amount not exceeding 20% of the grant per year on a cumulative basis until the sixth year, after which the entire grant may be exercised at any time prior to expiry. At December 31, 1993, options to purchase 1,889,200 shares (1,748,000 shares in 1992) were outstanding at prices ranging from $11.765 to $15.00 per share and expiring from 1996 to 2003. During 1993, options to purchase 166,000 shares were granted; options to purchase 5,600 shares were cancelled; and options to purchase 19,200 shares were exercised for proceeds of $0.2 million.

ii) Preferred Shares of TransAlta Utilities Corporation

(a) Authorized

The authorized preferred share capital of TransAlta Utilities consists of an unlimited number of First and Second Preferred Shares, all without nominal or par value.

(b) Issued and outstanding - first preferred shares

The first preferred shares, which are issuable in series, are cumulative and redeemable at designated dates at the option of TransAlta Utilities at their subscription price together with a premium not in excess of the annual dividend. Certain series are retractable at the option of the holder on designated dates at their subscription price plus any accrued and unpaid dividends. Certain series have annual purchase funds which are

non-cumulative but require TransAlta Utilities to make all reasonable efforts to purchase for cancellation, in the open market, preferred shares at a price not exceeding their subscription price plus any accrued and unpaid dividends and costs of purchase. Only first preferred shares are issued and outstanding.

5 Capitalization Cont'd

	4% to 5.40%	7% to 9%	December 31 1993	1992
Purchase fund	$ –	$ 546.1	$ 546.1	$ 751.4
Other	2.9	–	2.9	3.0
	$ 2.9	$ 546.1	$ 549.0	$ 754.4
Number of shares			19,310,046	26,765,700
Number of votes			5,363,090	7,269,762
(c) Changes during the year				
Cancelled through				
Purchase fund	$ (0.1)	$ –	$ (0.1)	$ (4.7)
Redemption	–	(205.3)	(205.3)	(3.9)
	$ (0.1)	$ (205.3)	$ (205.4)	$ (8.6)
Number of shares			(7,455,654)	(203,921)
Number of votes			(1,906,672)	(75,749)
(d) Retraction privileges				
In 1993	$ –	$ –	$ –	$ 100.0
In 1994	–	100.0	100.0	100.0
In 1995	–	100.0	100.0	194.4
In 1996	–	99.0	99.0	100.0
No retraction	2.9	247.1	250.0	260.0
	$ 2.9	$ 546.1	$ 549.0	$ 754.4

An annual purchase fund may be required for up to $9.4 million stated capital in each of 1994 to 1998. Any such requirements could reduce the retraction privileges.

The excess of the subscription price of the preferred shares cancelled over their purchase cost amounted to $ nil in 1993 ($0.1 million in 1992) and is included in contributed surplus.

iii) Long-term Debt of Subsidiaries

	6 3/8% to 9 3/4%	10% to 13%	17 5/8%	December 31 1993	1992
TransAlta Utilities					
First mortgage bonds	$ 26.4	$ –	$ –	$ 26.4	$ 31.8
Debentures	568.4	711.6	30.0	1,310.0	1,153.8
Notes payable	40.0	–	–	40.0	40.0
Capital leases	48.7	–	–	48.7	59.6
Other	86.7	–	–	86.7	71.1
	770.2	711.6	30.0	1,511.8	1,356.3
Less: Current portion	11.5	47.1	30.0	88.6	208.3
	$ 758.7	$ 664.5	$ –	$ 1,423.2	$1,148.0

The following principal amounts and sinking fund requirements, excluding current portion, are due in:

	6⅜% to 9¾%	10% to 13%	17⅝%	December 31 1993	1992
1994	$ –	$ –	$ –	$ –	$ 36.8
1995	20.7	6.3	–	27.0	30.0
1996	120.9	6.3	–	127.2	130.2
1997	40.7	151.9	–	192.6	216.6
1998	20.7	200.0	–	220.7	219.9
1999 to 2003	148.0	300.0	–	448.0	473.6
After 2003	407.7	–	–	407.7	40.9
	$ 758.7	$ 664.5	$ –	$ 1,423.2	$1,148.0

First mortgage bonds – First mortgage bonds total U.S. $20 million and are payable at U.S. $2.5 million per year over the next eight years. They are secured by a first charge on certain of TransAlta Utilities' land, buildings, plant and equipment and by a first floating charge on all other utility assets situated in the Province of Alberta. TransAlta Utilities has closed the Trust Deed and will issue no additional first mortgage bonds.

Debentures – The debentures are secured by a floating charge on the property and assets of TransAlta Utilities subject to the first specific charge and the first floating charge securing the first mortgage bonds. In June 1993 a $200.0 million Series T issue of 8.35% Secured Debentures and in November 1993 a $150.0 million Series U issue of 7.25% Secured Debentures were sold for cash. In December 1992 a $100.0 million Series S issue of 8.70% Secured Debentures was sold for cash.

Notes payable – The notes payable of TransAlta Utilities are unsecured, have no authorized limit, bear interest determined at June 30 and December 31 of each year at the greater of the five-year bank term deposit rate or the prevailing bank prime interest rate and mature December 31 in each year. These amounts are payable to rural electrification co-operative associations through their agent, Farm Electric Services Ltd., and represent a portion of funds contributed by members of these associations.

Capital leases – TransAlta Utilities leases, with options to purchase, draglines costing $73.0 million ($92.2 million in 1992). The cost of this equipment is classified as thermal production property. The related liability is included in long-term debt to reflect the effective acquisition and financing of the equipment. Accumulated amortization amounted to $27.9 million ($37.0 million in 1992). The future minimum payments under the capitalized leases are $8.0 million in each of 1994 and 1995, $8.6 million in each of 1996, 1997 and 1998 and $28.4 million thereafter. The imputed interest included in these future minimum rentals is $21.5 million ($26.2 million in 1992).

Other – The Alberta Small Power Research and Development Act requires TransAlta Utilities to enter into long-term power purchase contracts with eligible small power producers in its service area at legislated prices. Payments under the contracts are to be included in rates charged to customers. The Act limits the required contracted capacity to a total of 125 megawatts in Alberta. All but four megawatts have been allocated to projects in TransAlta Utilities' service area. At December 31, 1993, TransAlta Utilities had entered into contracts for approximately 91 megawatts of capacity, of which 31 megawatts of capacity delivered power during 1993. The present value of future payments required for the 31 megawatts of capacity (using a discount rate of six per cent) is $77.4 million ($58.9 million in 1992). Future estimated payments for the 31 megawatts total $130.7 million, including imputed interest of $53.3 million. Payments are estimated as $6.8 million in 1994, $7.1 million in each of 1995, 1996, 1997 and 1998, and $95.5 million thereafter. The remaining 60 megawatts of contracted capacity are forecast to commence delivery in 1994 and 1996.

	December 31 1993	1992
TransAlta Energy		
Non-recourse		
Non-recourse notes payable for independent power plants	$ 131.4	$ 134.7
Less: Current portion	4.1	3.3
Recourse portion	17.8	17.8
Total non-recourse	109.5	113.6
Recourse		
Bank loans - Canadian funds	7.0	11.4
- U.S. funds (U.S. $74.5 million)	98.5	–
Recourse portion of notes payable for independent power plants	17.8	17.8
Total recourse	123.3	29.2
	$ 232.8	$ 142.8

Non-recourse – The notes payable are non-recourse and bear interest of 9.82% to 10.72%, with principal and interest repayable over 14 to 17.5 years. Security for the notes is limited to first fixed and floating charges and specific mortgages on the independent power plants, and assignment of the related contracts and permits governing operation of the plants. In the event of a material default under a contract or permit related to a plant in service, the financial loss to TransAlta Energy is limited to its equity in the plant and its commitments under long-term gas agreements, which, in 1994, approximate $17.5 million and which escalate thereafter in accordance with gas transportation tolls. Required repayments are $4.1 million in 1994, $4.6 million in 1995, $5.1 million in 1996, $5.6 million in 1997, $6.2 million in 1998 and $105.8 million thereafter.

Recourse – TransAlta Energy has a Canadian dollar bank loan facility of which approximately $47.5 million remained available at December 31, 1993. Funds drawn under the facility bear interest at current lending rates and are due on demand. The amount is included in long-term debt as the bank does not intend to seek repayment during 1994.

Included with recourse long-term debt is $17.8 million of the debt proceeds received for the independent power plants for which letters of credit were issued as security. The letters of credit will be released on or before January 1, 1998 providing the plants meet certain financial performance and other conditions. As each condition is satisfied, the related letters of credit will be released and the amounts included as non-recourse debt.

The United States dollar bank loan bears interest at current lending rates and is due in January 1995. The loan relates to the investment in Hidroneuquén S.A. TransAlta Energy intends to repay this loan in 1994 with cash from operations, proceeds from the sale of marketable securities, equity or long-term debt financing, or a combination thereof.

6 Alberta Electric Energy Marketing Act Net Charge

The Alberta Electric Energy Marketing Act net charge arises from the operation of the Electric Energy Marketing Act (Alberta) and is to be included in TransAlta Utilities' rates for service which are collected from its customers.

The purpose of the Electric Energy Marketing Act (Alberta) is to reduce the disparity in electric rates throughout Alberta resulting from differing power generation and transmission costs of the three major electric utilities. An Alberta government department administers the Act (EEMA) by purchasing electric energy generated by TransAlta Utilities, Alberta Power Limited and Edmonton Power at a price fixed by the Public Utilities Board for each utility. This energy is immediately resold to the utility from which it was purchased at the average price of all electric energy purchased.

As TransAlta Utilities is the lowest cost producer of electricity, the price fixed by the Board for electric energy for TransAlta Utilities is currently below the average price established by EEMA, which gives rise to a net charge to the corporation. This net charge must be paid by TransAlta Utilities and recovered in the rates for service charged to its customers.

During the phase-in period of EEMA's operation, which started in 1982, the Province of Alberta provided shielding for TransAlta Utilities' customers from net charges arising out of the averaging process. Effective June 1989, the province discontinued this shielding. The province continues to review the objectives of the Electric Energy Marketing Act and the effectiveness and fairness of the EEMA process.

7 Rates For Service

In December 1992, TransAlta Utilities filed an interim rate application with the Board to be effective for consumption after January 1, 1993. On December 30, 1992, the Board established interim rates for 1993, providing a refundable interim increase of 1.2% effective January 1, 1993. A hearing was held in April 1993 and a decision was received on October 7, 1993. As a consequence of the decision, no adjustment to TransAlta's base rates occurred, the interim rate increase was discontinued, and $12 million collected under the interim rate increase will be refunded to customers over a 10-month period commencing January 1994.

8 Non-Regulated Operations Selected Financial Information

Non-regulated operations include TransAlta Energy and its subsidiaries and the investment in AEC Power Ltd.

	Year ended December 31	
	1993	1992
Earnings		
Energy revenues	$ 75.2	$ 5.9
Net earnings	$ 15.1	$ 8.4
Assets		
Property and investments	$ 289.1	$ 184.7
Marketable securities and other	$ 49.1	$ 35.8
Liabilities		
Long-term debt - non-recourse	$ 113.6	$ 116.9
- recourse	$ 123.3	$ 29.2

9 Net Earnings and Taxes on Income

Taxes on income vary from the amount that would be determined by applying the combined statutory Canadian federal and Alberta income tax rates to pre-tax earnings, as follows:

	Year ended December 31	
	1993	1992
Statutory income tax rates	44.3%	44.3%
Adjustments –		
i) Provincial timing differences for which no deferred tax is provided	(0.6)	(2.4)
ii) Equity income	(0.7)	(0.4)
iii) Allowance for equity funds used during construction, net of applicable depreciation adjustment	1.5	(0.1)
iv) Coal mining allowances	(0.7)	(0.9)
v) TransAlta Energy's losses available for future years	(1.1)	(0.5)
vi) Large corporations tax	1.1	1.3
vii) Other	0.6	0.3
Effective income tax rate	44.4%	41.6%

10 Pension Plan

The corporation maintains a defined benefit retirement pension plan covering substantially all employees of its subsidiaries. At December 31, 1993, the estimated market value of pension fund assets for actuarial purposes was $318.5 million ($291.5 million in 1992) and equalled the estimated present value of accrued pension obligations (the estimated market value of pension fund assets for actuarial purposes exceeded the estimated obligation by $4.0 million in 1992).

11 Comparative Amounts

Certain of the comparative figures for 1992 are restated to conform with the current year presentation.

Ten-Year Summary of TransAlta Corporation

(millions of dollars except where noted)	1993	1992
Financial Record		
Statement of earnings		
Electric revenue – regulated	1,312.8	1,275.1
Alberta Electric Energy Marketing Act net (charge) recovery	(173.3)	(175.6)
Alberta Small Power Research and Development Act charge	(6.4)	(3.8)
Energy revenues – non-regulated	75.2	5.9
Operating deductions	(840.0)	(749.9)
Allowance for funds used during construction	9.7	13.6
Allowance for funds used on plant held for future use	–	16.5
Investment income	9.8	7.1
Interest charges	(153.9)	(147.4)
Preferred share dividend requirements of subsidiaries	(50.1)	(59.0)
Earnings from continuing operations	183.8	182.5
Discontinued operations	–	–
Net earnings applicable to common shares	183.8	182.5
Common shareholders' investment		
Average common shareholders' investment (weighted)	1,463.2	1,393.4
Return from continuing operations on weighted average (%)	12.6	13.1
Common share information (dollars per share)		
Book value (year end)	9.31	9.12
Earnings from continuing operations	1.16	1.18
Net earnings	1.16	1.18
Dividends declared	0.98	0.98
Coverages (times earned before income tax)		
Interest	3.9	3.8
Interest and preferred dividends	2.3	2.2
Assets and property		
Total assets (year end)	4,251.5	4,176.1
Property	3,808.4	3,852.3
Electric utility property in service (year end)	3,553.7	3,579.4
Investment in facilities	296.3	415.3
Capitalization (year end)		
Common shareholders' equity	1,477.6	1,446.0
TransAlta Utilities – preferred shares	549.0	754.4
– long-term debt	1,423.2	1,148.0
TransAlta Energy – long-term debt	232.8	142.8
– preferred shares	–	–
	3,682.6	3,491.2
Statistical Record		
Electric energy sales (millions of kWh)		
Regulated – residential and commercial	3,620	3,530
– industrial	13,539	13,101
– cities and towns under wholesale contracts	7,541	7,455
– farms	1,119	1,161
Non-regulated – independent power	1,256	100
	27,075	25,347
Generating capability (nominal net MW)		
Regulated – hydro	800	800
– thermal	3,676	3,676
Non-regulated – independent power	289	178
	4,765	4,654
Sources of primary energy (millions of kWh)		
Regulated – hydro	1,670	1,502
– thermal (coal)	27,369	26,904
– net purchases and exchanges	(1,107)	(1,145)
Non-regulated – independent power	1,256	100
	29,188	27,361

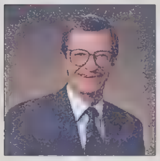
*Net of $0.75 per share or 7.5% reduction resulting from capital reorganization February 1, 1988.

1991	1990	1989	1988	1987	1986	1985	1984
1,160.6	1,063.5	954.9	909.6	917.0	909.0	833.8	788.6
(159.5)	(117.5)	(43.3)	17.4	8.5	(15.9)	(21.5)	(27.6)
(0.6)	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
(667.6)	(620.3)	(588.3)	(585.3)	(582.3)	(557.6)	(500.8)	(464.9)
15.8	27.3	35.1	38.2	38.7	61.0	75.6	77.3
32.2	18.6	5.6	–	0.5	0.4	–	–
2.9	2.1	2.0	1.9	5.4	12.9	8.2	16.7
(168.4)	(176.4)	(163.5)	(146.2)	(130.3)	(147.7)	(136.3)	(135.6)
(57.1)	(52.0)	(52.5)	(61.7)	(80.9)	(84.0)	(86.3)	(77.1)
158.3	145.3	150.0	173.9	176.6	178.1	172.7	177.4
–	(110.0)	(13.1)	(57.6)	2.4	(124.6)	8.2	6.3
158.3	35.3	136.9	116.3	179.0	53.5	180.9	183.7
1,214.7	1,188.9	1,227.1	1,236.6	1,301.6	1,278.9	1,256.9	1,150.9
13.0	12.2	12.2	14.1	13.6	13.9	13.7	15.4
8.71	8.42	9.10	9.05*	9.87	9.46	9.93	9.39
1.12	1.07	1.11	1.29	1.31	1.35	1.33	1.39
1.12	0.26	1.01	0.86	1.33	0.41	1.39	1.44
0.98	0.98	0.965	0.93	0.92	0.86	0.81	0.74
3.1	3.0	3.2	3.8	4.4	4.1	4.1	4.1
2.0	2.0	2.0	2.2	2.3	2.2	2.2	2.2
3,972.0	3,844.2	3,892.3	3,721.6	3,685.5	3,701.9	3,733.7	3,513.8
3,657.2	3,538.7	3,451.7	3,335.6	3,286.1	3,273.5	3,187.1	3,055.2
3,133.9	3,117.9	3,058.3	3,024.8	3,005.3	2,993.4	2,560.5	2,536.0
328.3	280.9	293.4	229.7	169.9	233.8	253.1	304.8
1,254.3	1,155.8	1,230.6	1,223.7	1,334.3	1,265.7	1,298.9	1,214.7
763.0	668.2	673.7	678.9	758.7	689.7	741.8	707.8
1,242.4	1,396.2	1,220.1	1,149.4	946.2	992.3	1,054.2	1,022.7
51.0	73.5	99.3	68.1	–	–	39.7	1.9
–	–	–	–	124.2	160.0	160.0	120.0
3,310.7	3,293.7	3,223.7	3,120.1	3,163.4	3,107.7	3,294.6	3,067.1
3,474	3,306	3,205	3,129	2,928	2,854	2,802	2,671
12,168	10,911	10,359	9,922	8,789	8,215	7,994	7,205
7,426	7,376	7,216	7,002	6,668	6,522	6,453	6,240
1,182	1,193	1,162	1,117	1,006	1,006	999	962
–	–	–	–	–	–	–	–
24,250	22,786	21,942	21,170	19,391	18,597	18,248	17,078
800	800	800	800	800	800	800	800
3,676	3,676	3,493	3,493	3,493	3,493	3,310	3,310
–	–	–	–	–	–	–	–
4,476	4,476	4,293	4,293	4,293	4,293	4,110	4,110
2,022	2,051	1,589	1,423	1,444	1,791	1,385	1,420
26,102	25,584	25,510	26,342	24,839	23,813	23,181	21,256
(1,905)	(2,809)	(2,969)	(4,619)	(4,968)	(5,304)	(4,610)	(3,965)
–	–	–	–	–	–	–	–
26,219	24,826	24,130	23,146	21,315	20,300	19,956	18,711

corporate inform

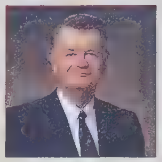
TransAlta Corporation Directors

Lawrence I. Bell
- President and CEO, Shato Holdings Ltd.
- former CEO, British Columbia Hydro and Power
- Director since 1992
- (5)



Louis D. Hyndman, Q.C.
- Senior Partner, Field & Field Perraton
- Director since 1986
- (1)(3)

Ken F. McCready
- President and CEO, TransAlta
- joined TransAlta in 1963
- Director since 1988



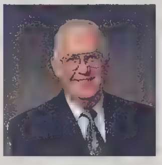
Jack C. Donald
- President and CEO, Parkland Industries Ltd.
- Chairman and Director, Alberta Opportunity Company
- Director since 1993
- (5)

Donna Soble Kaufman
- Partner, Stikeman, Elliott
- Director since 1989
- (4)

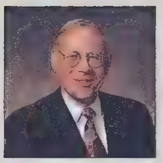
Ross F. Phillips, F.C.A.
- Corporate consultant
- former Chairman and CEO, Home Oil Company Limited
- Director since 1975
- (1)(2)

John T. Ferguson
- President and CEO, Princeton Developments Ltd.
- Director since 1981
- (5)

John S. Lane
- Senior Vice-President, Investments, Sun Life Assurance Company of Canada
- Director since 1993
- (4)



Harry G. Schaefer, F.C.A.
- Chairman of the Board, TransAlta
- former Chief Financial Officer, TransAlta
- joined TransAlta in 1963
- Director since 1985
- (5)

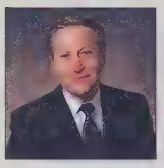


Charles H. Hantho
- Chairman, President and CEO, Dominion Textile Inc.
- former Chairman and CEO, C-I-L
- Director since 1992
- (3)(4)

J. Wallace Madill
- President, J. Wallace Madill & Associates
- former CEO, Alberta Wheat Pool
- Director since 1978
- (1)(2)

Ralph A. Thrall, Jr.
- President, McIntyre Ranching Co. Ltd.
- Director since 1981
- (1)

Richard F. Haskayne, F.C.A.
- Chairman, NOVA Corporation of Alberta
- former Chairman, President and CEO, Interhome Energy Inc.
- Director since 1991
- (2)(3)(5)



Gerald J. Maier, F.C.A.E.
- Chairman and CEO, TransCanada PipeLines Limited
- Director since 1983
- (4)

Marshall M. Williams
- former Chairman, President and CEO, TransAlta
- joined TransAlta in 1954
- Director since 1972
- (4)

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nominating Committee
(4) Member of Risk Management Committee
(5) Member of Pension Investment Committee

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TransAlta Corporation Officers

Ken F. McCready
President and Chief Executive Officer

James Leslie
Senior Vice-President, Corporate Services

Michael A. Pavey
Senior Vice-President and Chief Financial Officer

Ian A. Mallory
Vice-President and Corporate Counsel

F.A. Richard McKinnon, F.C.A.
Vice-President, Finance

Don W. Boone
Corporate Secretary

William A. Veres
Treasurer

Ken J. Wetherell
Assistant Corporate Secretary

TransAlta Utilities Officers

Ken F. McCready
President and Chief Executive Officer

James Leslie
Senior Vice-President, Corporate Services

Michael A. Pavey
Senior Vice-President and Chief Financial Officer

Walter Saponja
Senior Vice-President, Operations

Ron E. Bergen
Vice-President, Administration

Wolfgang Janke
Vice-President, Customer Services

Sue Lee
Vice-President, Human Resources

Ian A. Mallory
Vice-President and Corporate Counsel

F.A. Richard McKinnon, F.C.A.
Vice-President, Finance

Murray A. Nelson
Vice-President, Transmission

John A. Tapics
Vice-President, Generation

Robert C.P. Westbury
Vice-President, Environment and Public Affairs

Don W. Boone
Corporate Secretary

William A. Veres
Treasurer

Ken J. Wetherell
Assistant Corporate Secretary

TransAlta Energy Officers

Ken F. McCready
President and Chief Executive Officer

Michael A. Pavey
Senior Vice-President and Chief Financial Officer

Ian A. Mallory
Vice-President and Corporate Counsel

Alan C. Moon
Vice-President, Corporate Development

S. James Simmons
Vice-President, Engineering and Operations

Rick A. Winsor
Regional Vice-President, Latin America

Don W. Boone
Corporate Secretary

Marvin J. Waiand
Director of Finance and Treasurer

Ken J. Wetherell
Assistant Corporate Secretary

corporate inform

TransAlta Advisory Boards

TransAlta Utilities' Northern and Southern Alberta Advisory Boards provide a forum for effective communication between the corporation and business and community leaders. Through the boards, TransAlta develops a better understanding of customer needs in order to continually improve its operations.

Northern Alberta Advisory Board

Ken Allred
Alderman, City of St. Albert
Chairperson, Edmonton Metropolitan Regional Planning Commission
St. Albert, Alberta

Ace Cetinski
Chartered Accountant, MBA
President, Edmonton Wildcats Junior Football Club
Sherwood Park, Alberta

Dick Corser
President, Corden Developments Ltd.
Director, Native Venture Capital Company and Edson Hospital Board
Edson, Alberta

Natalie Gibson
Owner, Innovisions
President, Drayton Valley & District Chamber of Commerce
Drayton Valley, Alberta

Denis Hinse
Owner, Hinse Poultry Farms
Director, Canadian Egg Marketing Agency
Beaumont, Alberta

Ed Morin
Enoch Band Elder
Winterburn, Alberta

Derek Pachal
Owner, Tamarack Services
Director, Plamondon and District Agricultural Society
Plamondon, Alberta

Gordon Pasiuk
Owner and President, Camrose Truss Fabricators Ltd.
Camrose, Alberta

Enid Schreiber
Co-owner, Larkspur Farms Ltd. and Schreiber Construction Ltd.
Dapp, Alberta

Jim Tindall
Owner, B&T Ranches
Councillor, County of Flagstaff
Sedgewick, Alberta

Joe Tomanek
Vice-President and Partner, Flynn Bros. Construction Inc.
Fort Saskatchewan, Alberta

Roger Vold
Consultant in community television
Former Alderman, Wetaskiwin
Wetaskiwin, Alberta

Southern Alberta Advisory Board

Michael Day
City Commissioner, City of Red Deer
Red Deer, Alberta

Kathryn Habberfield
Retired Farmer and Rancher
Past President, Alberta Women's Institutes
Founding Member, Alberta Advisory Council on Women's Issues
Langdon, Alberta

Glenn Logan
Farmer
Member of the Senate, University of Lethbridge
Lomond, Alberta

Marilyn Sharp
Farmer
President, Canadian Western Agribition
Lacombe, Alberta

Dale Shippelt
Town Councillor
Part Owner and Operator, A&W and Shell service station
Rocky Mountain House, Alberta

Bill Stephenson
Vice-President, Novacor Chemicals Ltd.
Red Deer, Alberta

Wilson Sutherland
Farmer
Director, Alberta Wheat Pool
High River, Alberta

Lynn Thacker
President, PANOIL
Bow Island, Alberta

Doug Thornton
Financial Planner
Member of Board of Directors, Lethbridge Community College Foundation
Pincher Creek, Alberta

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Environmental Policy Statement

Head Office
110 - 12th Avenue S.W.
Calgary, Alberta

Postal Address
Box 1900
Calgary, Alberta
T2P 2M1

Auditors
Ernst & Young
Chartered Accountants
Calgary, Alberta

Transfer Agents and Registrars – TransAlta Corporation

Common Shares:
Montreal Trust Company
Vancouver, Calgary, Edmonton, Regina, Winnipeg, Toronto, Montreal

Dividend Reinvestment and Share Purchase Plan:
Montreal Trust Company
Calgary

Trustees and Registrars – TransAlta Utilities

First Mortgage Bonds:
Montreal Trust Company
Vancouver, Calgary, Toronto, Montreal

Secured Debentures:
The R-M Trust Company
Vancouver, Calgary, Toronto, Montreal

Transfer Agent and Registrar – TransAlta Utilities

First Preferred Shares:
Montreal Trust Company
Vancouver, Calgary, Edmonton, Regina, Winnipeg, Toronto, Montreal

Common Share Information

The corporation's common shares were split 3 for 1 on May 8, 1980, and 2 for 1 on February 1, 1988.

The valuation day value of common shares owned on December 31, 1971, adjusted for stock splits, is $4.54 per share.

The adjusted cost base of common shares held on January 31, 1988, is reduced by $0.75 per share subsequent to the February 1, 1988 split.

The closing price of the common shares on the Toronto Stock Exchange on February 22, 1994 was $16.00.

Ticker Symbol:
TA for TransAlta Corporation common shares

TAU for TransAlta Utilities first preferred shares

Listed on the Alberta, Montreal and Toronto stock exchanges.

For More Information

Duplicate Mailings
If you are getting duplicate mailings from us, it is probably because your TransAlta stock is registered in more than one way. Let us help you combine mailings or eliminate duplicate mailings. For assistance, call or write our Assistant Corporate Secretary (see below).

TransAlta Corporation offers additional financial information through its Financial Statistical Summary and Interim Report to Shareholders. For copies, please contact:

Ken J. Wetherell
Assistant Corporate Secretary
TransAlta Corporation
110 - 12th Avenue S.W., Box 1900
Calgary, Alberta T2P 2M1

Telephone: 1-800-387-3598 toll free in Canada or (403) 267-7301 in Calgary and outside Canada
Fax: (403) 267-2575, (403) 267-7372

TransAlta is committed to the environment and sustainable development. Protection of the environment is a vital element in our business. We strive to empower our employees to take initiatives to protect and enhance the environment, based on shared values and the need to satisfy the environmental concerns and expectations of customers, investors and the public. We are committed to:

- reporting complete and accurate information to stakeholders on the environmental impact of our business, meeting or surpassing all environmental standards, and continuously improving our environmental performance,
- advocating socially responsible environmental standards and the recognition of the economic value of environmental resources,
- implementing conservation and efficiency initiatives for all resources and pursuing alternative energy opportunities, both within our own operations and in partnership with others,
- seeking out research opportunities and developing alliances with stakeholders for environmental solutions,
- consulting and working with those who may be affected by our business to respond to their concerns,
- recognizing and respecting the relationship between the environment and health in all phases of our business, and using the best knowledge available to protect the health of employees and the public,
- encouraging and developing educational programs and resources to provide balanced public information and to foster environmentally sensitive attitudes, knowledge and skills,
- identifying and developing business ventures where value can be added to solutions to environmental problems and investment opportunities created for the corporation and its shareholders.

THE COVER ILLUSTRATIONS HIGHLIGHT KEY AREAS OF BUSINESS ACTIVITY FOR TRANSALTA.

OFFERING COMPETITIVE ENERGY

The sun represents the environment and the generation turbine economic development. The merging of the two images emphasizes that to offer competitive energy, we must make progress on both environmental protection and economic development at the same time.

BUILDING ON STRENGTHS

The interlinking figures symbolize the dedication of TransAlta's people and the strengths they are building upon as they apply the corporation's more than 83 years of engineering and operating experience in electricity production.

DEVELOPING NEW BUSINESS ALLIANCES

The handshake symbolizes the strategic partnerships TransAlta is developing in extending its core business of power generation into new areas. These strategic partnerships are a key factor in the corporation's success.

The cover of this report was printed on 100 per cent recycled paper using 100 per cent post-consumer waste. The text was printed on 60 per cent recycled paper containing 30 per cent post-consumer waste. The environmental impact of producing this paper was further reduced by using an air injection de-inking and chlorine-free bleaching process. Vegetable-based inks were used throughout the report.

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